

6: External influences on business activity

Paper 1 – Topic questions

The questions in this document have been compiled from a number of past papers, as indicated in the table below.

Use these questions to formatively assess your learners' understanding of this topic.

Question	Year	Series	Paper number
3c	2017	March	12
3d	2017	March	12
4d	2017	June	11
4c	2018	November	11

- 3 Dipta and Ravi are friends. They want to start up a business making chocolates to sell at local markets. Most ingredients such as cocoa beans will be imported. Ravi's primary market research shows that using ethical sources of supply for the ingredients will be popular with consumers. Ravi and Dipta have no business experience, but Dipta has written a business plan. They need \$500 for equipment, but they cannot decide which source of finance to use.

(d) Identify and explain **two** benefits to Dipta and Ravi of acting in an ethical way.

Benefit 1:

.....

Explanation:

.....

Benefit 2:

.....

Explanation:

..... [4]

(e) Identify and explain **two** possible advantages of importing for Dipta and Ravi's business.

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

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..... [6]

4 GKK makes plastic bottles for a range of products from food to chemicals. GKK buys its raw materials from a low-cost country. GKK's organisational structure is wide with a short chain of command which allows for delegation. The Government plans to introduce new legal controls to protect the environment. The Operations manager said: 'The Government might achieve one of its objectives but how does it affect GKK? This is a competitive market so prices are important.' He wants to improve efficiency and plans to use lean production.

(d) Identify and explain **two** ways in which new legal controls to protect the environment might affect GKK.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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..... [6]

4 AHP is a multinational company. It makes mobile (cell) phones in Europe in country X. 80% of its sales are in Europe. Some people are concerned about AHP's impact on the environment. The Operations Director said: 'AHP always tries to ensure it meets all legal controls. Globalisation has created many opportunities for AHP and its stakeholders. The Operations Director is planning to relocate its factories to a low-cost country in Asia. Raw materials would need to be transported an extra 4000kms. Interest rates are likely to increase across Europe.

(c) Do you think Paul should be worried about the change in the profit margins between 2016 and 2017? Justify your answer.

Way 1:

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Explanation:

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Way 2:

.....

Explanation:

.....

[4]

Question	Answer	Mark
3 (c)	<p>Identify and explain two benefits to Dipta and Ravi of acting in an ethical way.</p> <p>Knowledge [2 × 1] – award 1 mark for each benefit identified</p> <p>Application [2 × 1] – award 1 mark for each explanation in context</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Higher revenue / demand [k] in local markets [app] • Improved brand image / reputation / customer loyalty [k] for this new business [app] • Better supplier relations [k] so able to obtain the best possible cocoa beans [app] • Investors more likely to invest [k] in this chocolate business [app] • Improve employee motivation / help retention OR help recruit [k] <p>Application marks may be awarded for appropriate use of the following: chocolate, local markets, \$500, primary market research, business plan, little experience, start-up / new business, ingredients or cocoa beans</p> <p>Do not accept ‘better quality’ or ‘legal’ as these are different concepts.</p>	4
3 (d)	<p>Identify and explain two possible advantages of importing for Dipta and Ravi’s business.</p> <p>Knowledge [2 × 1] – award 1 mark for advantage identified</p> <p>Application [2 × 1] – award 1 mark for each way if relevant reference made to this business</p> <p>Analysis [2 × 1] – award 1 mark for each relevant explanation</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> • Resources not available /grown in own country [k] as must be ethical [app] in order to make its products [an] • Access to exclusive resources [k] for new business [app] helping it be competitive [an] • Access to cheaper resources [k] of cocoa beans [app] could help improve profit margin / lower costs [an] • Wider choice [k] of ingredients [app] could attract more customers / sales [an] • Access to better quality materials [k] for its chocolates [app] so could charge higher prices [an] <p>Application marks may be awarded for appropriate use of the following: chocolate, local markets, \$500, primary market research, business plan, no business experience, new business, cocoa beans or ingredients, ethical (sources of supply)</p>	6

Question	Answer	Mark
4 (d)	<p>Identify and explain two ways in which new legal controls to protect the environment might affect GKK.</p> <p>Knowledge $[2 \times 1]$: award one mark for each relevant way identified</p> <p>Application $[2 \times 1]$: award 1 mark if relevant reference made to this business</p> <p>Analysis $[2 \times 1]$: award 1 mark for each relevant explanation</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Change OR stop using certain materials [k] moving away from plastic [app] changing production [an] • Increase cost [k] because they may have to pay more fines [an] • May need to change supplier [k] so stop using the low cost country [app] increasing variable costs [an] • Reduced demand [k] as customers look for alternative ways to package food [app] so lose revenue [an] • May have to change location [k] as not allowed to operate in certain places [an] <p>Application marks may be awarded for appropriate use of the following: Range of products, food, chemicals, plastic bottles, low cost country, low prices.</p>	6
4 (c)	<p>Identify and explain two ways in which AHP might have an impact on the environment.</p> <p>Knowledge $[2 \times 1]$ – award 1 mark for each relevant way [max 2]</p> <p>Application $[2 \times 1]$ – award 1 mark for each explanation in context</p> <p>Reasons might include:</p> <ul style="list-style-type: none"> • Pollution [k] caused by disposal of mobile phones [app] • Loss of green spaces [k] from relocating its factory [app] • Traffic congestion [k] caused by transporting materials an extra 4000 km [app] • Depletion of natural resources [k] <p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> • mobile phones • 80% sales (in Europe) • comply with legal controls • relocate its factories • multinational company • country X • transporting extra 4000 km • raw materials 	4