

Practice Explain Questions

Unit 1.1

1. Explain one way in which an entrepreneur will come up with a new idea.
2. Explain one benefit to a business of understanding changes in what customers want.
3. Explain one risk that a business might face in setting up a business.
4. Explain one reward that an entrepreneur hopes to achieve from running a small business.
5. Explain one method that a small business can add value to its products.
6. Explain one benefit to a business of adding value.
7. Explain one reason why an entrepreneur will have to have strong leadership qualities.
8. Explain one reason why an entrepreneur needs to take risks.

Unit 1.2

1. Explain one way in which a small business can meet customer needs.
2. Explain one benefit to a small business of meeting customer needs.
3. Explain why convenience is an important factor for customers.
4. Explain the benefit to a small business of identifying a gap in the market.
5. Explain one way in which the business could carry out market research.
6. Explain one reason why the business would carry out market research.
7. Explain the benefit to a small business of conducting primary research.
8. Explain the drawback to a small business of conducting primary research.
9. Explain the benefit to a small business of conducting secondary research.
10. Explain the drawback to a small business of conducting secondary research.
11. Explain one impact on a small business of making decisions based on unreliable market research data.
12. Explain one way that a small business may use social media to help with research.
13. Explain one benefit to a small business of segmentation.
14. Explain one way in which a small business may segment the market.
15. Explain one drawback of segmenting the market.
16. Explain one reason that a business owner might use a market map.
17. Explain one drawback to a small business of market mapping.
18. Explain one way in which operating in a competitive market will impact the decisions of a small business.
19. Explain one method that a small business will use to compete with rival firms.
20. Explain one reason why aims and objectives may differ between businesses.

Unit 1.3

1. Explain one financial aim that a small business may hope to achieve.
2. Explain one non-financial aim that a small business may hope to achieve.
3. Explain one method that a small business may use to reduce costs.
4. Explain one impact on a small business of reducing costs.
5. Explain one method a small business could use to increase profits.
6. Explain one benefit to a small business of conducting breakeven analysis.
7. Explain one drawback to a small business of conducting breakeven analysis.
8. Explain one method a small business could use to lower its breakeven level of output.
9. Explain one reason why a small business might encounter cash-flow difficulties.
10. Explain one method a business could use to improve cash flow.
11. Explain one benefit to a small business of using an overdraft.
12. Explain one drawback to a small business of using an overdraft.
13. Explain one benefit to a small business of using trade credit.
14. Explain one drawback to a small business of using trade credit.
15. Explain one benefit to a small business of using personal savings.
16. Explain one drawback to a small business of using personal savings.
17. Explain one benefit to a small business of using venture capital.

18. Explain one drawback to a small business of using venture capital.
19. Explain one benefit to a small business of using share capital.
20. Explain one drawback to a small business of using share capital.
21. Explain one benefit to a small business of using a bank loan.
22. Explain one drawback to a small business of using a bank loan.
23. Explain one benefit to a small business of using retained profit.
24. Explain one drawback to a small business of using retained profit.
25. Explain one benefit to a small business of using crowd funding.
26. Explain one drawback to a small business of using crowd funding.

Unit 1.4

1. Explain one impact to an entrepreneur of having unlimited liability.
2. Explain one impact to an entrepreneur of having limited liability.
3. Explain one benefit to an entrepreneur of setting up as a sole trader.
4. Explain one drawback to an entrepreneur of setting up as a sole trader.
5. Explain one benefit to a small business as setting up as a partnership.
6. Explain one drawback to a small business as setting up as a partnership.
7. Explain one benefit to a small business as setting up as a private limited company.
8. Explain one drawback to a small business as setting up as a private limited company.
9. Explain one benefit to a small business as setting up as a franchise.
10. Explain one drawback to a small business as setting up as a franchise.
11. Explain one factor that will influence where a small business will choose to locate.
12. Explain one reason why a business may choose to set up close to competitors.
13. Explain one reason why price is important to a small business.
14. Explain one benefit to a business of charging a high price for its product.
15. Explain one reason why product is important to a small business.
16. Explain one benefit to a small business of increasing its product range.
17. Explain one reason why promotion is important to a small business.
18. Explain one reason why place is important to a small business.
19. Explain one factor that will have an influence on the marketing mix of a small business.
20. Explain one impact of changing customer needs on the marketing mix of a small business.
21. Explain one reason why business plans are important to a small business.
22. Explain one reason why a bank may be interested in the business plan of a small business.

Unit 1.5

1. Explain one impact that the local community may have on a small business.
2. Explain one way in which the employees may impact on a small business.
3. Explain one reason why a small business may experience stakeholder conflict.
4. Explain one way in which a small business may use technology.
5. Explain one benefit of e-commerce to a small business.
6. Explain one drawback of e-commerce to a small business.
7. Explain one way in which technology influences business activity.
8. Explain one way in which technology impacts the marketing mix of a small business.
9. Explain one drawback that advancements in technology may have on a small business.
10. Explain one impact that consumer law has on a small business.
11. Explain one impact that employment law has on a small business.
12. Explain one drawback that legislation can have on a small business.
13. Explain one impact of a change in consumer income levels will have on small business.
14. Explain one impact that high levels of unemployment can have on a small business.
15. Explain one impact that an increase in the levels of taxation can have on a small business.
16. Explain one impact that rising levels of inflation can have on a small business.
17. Explain one impact that an increase in interest rates can have on a small business.
18. Explain one impact that a rise in the value of the pound may have on a small business.
19. Explain one impact that a fall in the value of the pound may have on a small business.
20. Explain how a fall in economic activity might impact on a small business.

Unit 2.1

1. Explain one benefit to a business from growing internally.
2. Explain one drawback to a business from growing internally.
3. Explain one benefit to a business from external growth.
4. Explain one drawback to a business from external growth.
5. Explain one way in which a business can grow externally.
6. Explain one method of internal growth.
7. Explain one benefit to a business of becoming a public limited company.
8. Explain one drawback to a business of becoming a public limited company.
9. Explain one benefit to a business of using retained profit to fund growth.
10. Explain one drawback to a business of using retained profit to fund growth.
11. Explain one benefit to a business of selling assets to fund growth.
12. Explain one drawback to a business of selling assets to fund growth.
13. Explain one benefit to a business of using loan capital to fund growth.

14. Explain one drawback to a business of using loan capital to fund growth.
15. Explain one benefit to a business of using share capital to fund growth.
16. Explain one drawback to a business of using share capital to fund growth.
17. Explain one reason why a business may pursue stock market flotation.
18. Explain one reason why a business' objectives may change over time.
19. Explain one impact on a business from focussing on survival.
20. Explain one impact on a business from entering new markets.
21. Explain one impact on a business from reducing the size of its workforce.
22. Explain one impact on a business from increasing the size of its workforce.
23. Explain one impact on a business of increasing its product range.
24. Explain one impact on a business from decreasing its product range.
25. Explain one reason why the performance of a business can impact its aims and objectives.
26. Explain one benefit to UK businesses from an increase in imports.
27. Explain one drawback to UK business from an increase in imports.
28. Explain one drawback to a multinational of setting up in a foreign country.
29. Explain the impact on a business from an increase in exports.
30. Explain one way in which globalisation may impact on a business.
31. Explain the impact on UK businesses from an introduction of a tariff by the UK government.
32. Explain how being part of a Trade bloc can impact on a business.
33. Explain how competing internationally can impact a business' product.
34. Explain how competing internationally can impact the price a business charges for its product.
35. Explain how competing internationally can impact a business' promotion.
36. Explain one method that a business can use to compete internationally.
37. Explain one benefit to a business from acting in an ethical manner.
38. Explain one drawback to a business from acting in an ethical manner.
39. Explain one way in which a business can behave in an ethical manner.
40. Explain one method a business can use to reduce its environmental impact.
41. Explain one way in which environmental considerations may influence a business' activity.
42. Explain one impact a pressure group may have on a business.
43. Explain one impact a pressure group may have on a business' marketing mix.

Unit 2.2

1. Explain one way in which the business could improve its design mix.
2. Explain why the function of the product is important to a business.
3. Explain one method a business could use to differentiate itself from rivals.
4. Explain one benefit to a business from differentiating its product.
5. Explain one drawback to a business from having a differentiated product.
6. Explain one impact to a business of a product entering the maturity stage of its life cycle.

7. Explain one impact on a business' cash flow from a product entering the decline stage.
8. Explain one method a business could use to extend the life of one of its products.
9. Explain why a business might charge a high price for its product.
10. Explain why a business might charge a low price for its product.
11. Explain how the product life cycle impacts the price a business charges.
12. Explain how competition impacts the price a business charges.
13. Explain how new technology impacts the price a business charges.
14. Explain one reason why a business may need to know what price its competitors are charging.
15. Explain the benefit to a business of carrying out advertising.
16. Explain the drawback to a business of carrying out advertising.
17. Explain the benefit to a business of undertaking sponsorship.
18. Explain the drawback to a business of undertaking sponsorship.
19. Explain the benefit to a business of introducing special offers for its products.
20. Explain the drawback to a business of introducing special offers for its products.
21. Explain the benefit to a business of introducing product trials.
22. Explain the drawback to a business of introducing product trials.
23. Explain the benefit to a business of having a strong brand.
24. Explain the drawback to a business of using branding to promote its products.
25. Explain one benefit to a business of viral advertising.
26. Explain one way in which a business could use technology when promoting its product.
27. Explain the benefit to a business of using a retailer to distribute their products.
28. Explain the drawback to a business of using a retailer to distribute their products.
29. Explain the benefit to a business of using a wholesaler to distribute their products.
30. Explain the drawback to a business of using a wholesaler to distribute their products.
31. Explain the benefit of e-tailing to a business.
32. Explain one way that promotion may impact on the price element of the marketing mix.
33. Explain one way that the product itself will influence the place element of the marketing mix.
34. Explain one method a business can use to gain a competitive advantage over its rivals.
35. Explain the impact of having an integrated marketing mix.

Unit 2.3

1. Explain the benefit to a business of using job production.
2. Explain the drawback to a business of using job production.
3. Explain the benefit to a business of using batch production.

4. Explain the drawback to a business of using batch production.
5. Explain the benefit to a business of using flow production.
6. Explain the drawback to a business of using flow production.
7. Explain the drawback that new technology can have on production.
8. Explain the benefit that new technology can have on production.
9. Explain one way that new technology impacts the quality of a business' products.
10. Explain one reason why a business may hold buffer stock.
11. Explain the impact on a business from holding buffer stock.
12. Explain the importance to a business of producing a bar chart stock graph.
13. Explain the benefit to a business of having improved logistics.
14. Explain the drawback to a business of having improved logistics.
15. Explain one factor that is important to a business when deciding on which supplier to use.
16. Explain the importance of effective procurement to a business.
17. Explain the benefit to a business of utilising a JIT stock control system.
18. Explain the drawback to a business of utilising a JIT stock control system.
19. Explain the impact on a business from choosing the wrong supplier.
20. Explain why the relationship between a business and its supplier is important.
21. Explain the benefit to a business of utilising a quality control system.
22. Explain the drawback to a business of utilising a quality control system.
23. Explain the benefit to a business of utilising a quality assurance system.
24. Explain the drawback to a business of utilising a quality assurance system.
25. Explain the benefit to a business of producing a high-quality product.
26. Explain the drawback to a business of producing a high-quality product.
27. Explain the benefit to a business of providing good customer service.
28. Explain one method a business may use to provide good customer service.
29. Explain one reason why it is important for a business' employees to have good product knowledge.
30. Explain one reason why it is important for a business to respond to customer feedback.
31. Explain one reason why it is important for a business to engage customers.
32. Explain one reason why it is important for a business to have a speedy and efficient service.
33. Explain one reason why it is important for a business to offer an effective post-sales service.
34. Explain one way in which a business can offer a post-sales service.

Unit 2.4

1. Explain one way in which a business could improve its gross profit.
2. Explain one way in which a business could improve its net profit.
3. Explain one reason why a business might use marketing data.
4. Explain one reason why a business might use market data.
5. Explain one reason why a business might use financial data.

6. Explain one limitation to a business from using financial information to make decisions.

Unit 2.5

1. Explain one impact of having a narrow span of control in a business.
2. Explain one impact of giving employees more authority.
3. Explain one benefit to a business of having a hierarchical structure.
4. Explain one drawback to a business of having a hierarchical structure.
5. Explain one benefit to a business of having a flat structure.
6. Explain one drawback to a business of having a flat structure.
7. Explain one benefit to a business of being centralised.
8. Explain one drawback to a business of being centralised.
9. Explain one benefit to a business of being decentralised.
10. Explain one drawback to a business of being decentralised.
11. Explain an impact on a business of issuing permanent contracts to its employees.
12. Explain one reason why a business may employ employee freelancers.
13. Explain one benefit to a business of employing people on zero-hour contracts.
14. Explain one impact on a business of insufficient communication.
15. Explain one barrier to effective communication within a business.
16. Explain one impact on a business of excessive communication.
17. Explain one way in which employees within a business could communicate effectively.
18. Explain one reason why a business would draw up a job description.
19. Explain one benefit to a business of writing a person specification.
20. Explain one method a business may use to select the most appropriate candidate.
21. Explain one benefit to a business of carrying out interviews.
22. Explain one benefit to a business of conducting formal training.
23. Explain one drawback to a business of conducting formal training.
24. Explain one benefit to a business of conducting informal training.
25. Explain one drawback to a business of conducting informal training.
26. Explain one reason why a business may conduct performance reviews with their employees.
27. Explain why a business may insist that employees undertake ongoing training.
28. Explain one benefit to a business from having motivated employees.
29. Explain one financial method that a business may use to motivate its employees.
30. Explain one non-financial method that a business may use to motivate staff.