

**Pearson BTEC (QCF)**

# **Principles of Business**

**Level 3 – D/506/1942**

2015 – Practice Test

**Time: 45 minutes**

Paper Reference

**BA-3-59 PT**

**You must have:**

Multiple choice answer sheet  
Black pen

## **Instructions**

- Use **black** ink or ball-point pen.
- Answer **all** questions.
- Encircle your answers on the separate answer sheet.

## **Information**

- The total mark for this paper is 30.
- The marks for **each** question are shown in brackets.

## **Advice**

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

*Turn over* ►

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- 1** Which of these describes an oligopoly? (1)
- Select **one** option.
- A** A market dominated by few sellers
  - B** A market where products sold are identical
  - C** A market where there is no competition
  - D** A market where the buyer dictates terms
- 2** A car manufacturer is working in a market of imperfect competition and attempts to differentiate itself from its competitors. Which of these organisational goals would help it achieve this? (1)
- Select **one** option.
- A** Profit maximisation
  - B** Publishing accounts
  - C** Satisfying stakeholders
  - D** Reducing costs
- 3** What is business innovation? (1)
- Select **one** option.
- A** A statutory requirement
  - B** An assessment of financial viability
  - C** A new idea that improves profitability
  - D** A contractual obligation
- 4** An organisation has asked customers for their reaction to a new product it is introducing. Under which part of the process of product development does this fall? (1)
- Select **one** option.
- A** Concept testing
  - B** Technical implementation
  - C** Commercial activity
  - D** Review of performance
- 5** Which of these is a risk associated with innovation? (1)
- Select **one** option.
- A** Fewer quality issues
  - B** Lack of project management skills
  - C** Lack of management support
  - D** Fewer staff promotions

**6** A limited company has recently identified instances of poor financial management. What will be a consequence of this? (1)

Select **one** option.

- A** Damage to products
- B** Damage to reputation
- C** Uninterested customers
- D** Unsupportive systems

**7** Why do organisations use budgeting? (1)

Select **one** option.

- A** To inform management decisions
- B** To highlight capital purchases
- C** To identify staffing issues
- D** To implement spending cuts

**8** Which principle of marketing relates to how customers view the product? (1)

Select **one** option.

- A** Pricing strategy
- B** Promotion
- C** Process
- D** Physical presence

**9** Which of these is an example of qualitative primary market research? (1)

Select **one** option.

- A** Reports in trade journals
- B** Analysis of sales figures
- C** Scrutiny of competitor accounts
- D** Analysis of customer comment cards

**10** What is a positive outcome of a good relationship between sales and marketing? (1)

Select **one** option.

- A** Higher prices are created
- B** Common goals are achieved
- C** A balanced cash flow
- D** Greater creativity

**11** A business is operating in a market of perfect competition. Which of these is a characteristic of this market? (1)

Select **one** option.

- A** Consumers influence price
- B** There are differentiated products
- C** Suppliers influence price
- D** There are no barriers to entry

**12** An organisation is aiming to be one of the few sellers of a specific product. What is the organisational goal associated with this? (1)

Select **one** option.

- A** To increase customer satisfaction levels
- B** To achieve a state of monopoly
- C** To achieve a state of imperfect competition
- D** To increase consumer choice

**13** An organisation is looking to increase its revenue through innovation. Which of these is the most appropriate model to use? (1)

Select **one** option.

- A** The industry model
- B** The pricing model
- C** The enterprise model
- D** The marketing model

**14** An organisation is developing a new product. Why is there a need to produce a prototype? (1)

Select **one** option.

- A** To test the product on the market
- B** To identify the best price
- C** To launch the product to market
- D** To finalise supplier agreements

**15** An organisation is trying to become more innovative and is raising its profile within the local community as a result. Which of these is an implication of this strategy? (1)

Select **one** option.

- A** Poor cash flow
- B** Poor customer feedback
- C** Stakeholder collaboration
- D** Competitive pricing strategies

- 16** Which of these describes cash flow accurately? (1)
- Select **one** option.
- A** The amount the business owes to creditors
  - B** The amount of money the business has in the bank
  - C** The profit and loss a business has made
  - D** The movement of money into and out of a business
- 17** An organisation has recently set budgets for key areas of the business. How will this help the organisation? (1)
- Select **one** option.
- A** It will give it financial stability
  - B** It will allow large sums to be spent
  - C** It will provide financial direction
  - D** It will allow financial information to be published
- 18** An organisation devises an advertising slogan for one of its products. What are they trying to create? (1)
- Select **one** option.
- A** Brand recognition
  - B** Customer satisfaction
  - C** Motivated staff
  - D** Supplier loyalty
- 19** A business is considering the viability of diversifying into the mobile technology market. Which of these research activities will it do first? (1)
- Select **one** option.
- A** Conduct a telephone survey
  - B** Develop a product prototype
  - C** Create promotional material
  - D** Analyse competitor activity
- 20** A large supermarket determines the price it pays its suppliers. Which term defines this market? (1)
- Select **one** option.
- A** Monopsony
  - B** Monopoly
  - C** Perfect competition
  - D** Imperfect competition

**21** Which of these is a legal requirement for a limited company? (1)

Select **one** option.

- A** To employ a company Financial Director
- B** To create new products each year
- C** To employ at least five staff
- D** To submit accounts to Companies House

**22** An organisation is implementing an innovative strategy to generate more local business. Which of these external sources of support is helpful for this strategy? (1)

Select **one** option.

- A** An enterprise partnership
- B** A national bank
- C** A stockbroker
- D** A financial consultant

**23** Which of these is a benefit associated with technological innovation? (1)

Select **one** option.

- A** Improvements to staff welfare
- B** Improvements to processes
- C** Increased customer base
- D** Increased staffing costs

**24** Why is it important for an organisation to monitor the returns from its investments? (1)

Select **one** option.

- A** To ensure open communications
- B** To establish brand recognition
- C** To achieve customer loyalty
- D** To maintain financial viability

**25** An organisation has purchased new machinery. What term describes this purchased item? (1)

Select **one** option.

- A** Fixed cost
- B** Turnover
- C** A liability
- D** An asset

**26** A team has been assigned to a project and has discovered that there is a financial deficit against planned spending.  
What actions need to be taken to manage this situation? (2)

Select **two** options.

- A Record project expenditure accurately
- B Negotiate a revision to the budget
- C Submit a formal report
- D Redraft staff contracts
- E Revise project milestones

**27** An organisation has developed a new product and is prospecting for sales.  
Which of these is included in this stage of the sales process? (1)

Select **one** option.

- A Arranging the sales meeting
- B Identifying the target market
- C Review of after sales service
- D Fine tuning the product

**28** What value is a well-recognised brand likely to bring to a business? (1)

Select **one** option.

- A Increased cost
- B Consumer loyalty
- C Legal status
- D Customer satisfaction

**29** An organisation has recently merged its sales and marketing departments.  
What problems might this lead to? (1)

Select **one** option.

- A Conflicting cultures
- B Increased staff bonuses
- C Loss of customers
- D Higher production costs

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**TOTAL FOR PAPER = 30 MARKS**