You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS
- Section A: answer all questions.
- Section B: answer one question.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

INFORMATION
- The total mark for this paper is 40.
- The number of marks for each question or part question is shown in brackets [ ].
Section A (Short Answer)

Answer all questions.

You are advised to spend no more than 35 minutes on Section A.

1. (a) Define the term ‘opportunity cost’. [2]
   (b) Explain two qualities an entrepreneur is likely to need for success. [3]

2. (a) Define the term ‘demand’. [2]
   (b) Explain two factors which might influence supply of a product. [3]

3. Explain the effects on a business of having a high level of working capital. [5]

4. (a) Define the term ‘transformation process’. [2]
   (b) Explain two ways in which a business could improve its intellectual capital. [3]

Section B (Essay)

Answer one question only.

5. (a) Analyse the benefits to a business of recruiting employees from outside the business. [8]
   (b) Discuss whether the use of Herzberg’s two factor theory could improve employee motivation in a school. [12]

6. A furniture manufacturer is planning to introduce CAD and CAM into the production process.
   Discuss the extent to which this could make the business more competitive. [20]

7. (a) Analyse why a business might invest in market research. [8]
   (b) Discuss whether an airline business might increase its profits by more effective market segmentation. [12]