**Explain two skills that Nathan has demonstrated which indicate that he could be described as a successful entrepreneur. (4 marks)**

*One skill that Nathan has demonstrated is the drive to succeed, he knows starting a news business will not be easy. Being driven is a necessary skill for a successful entrepreneur because Nathan will be motivated by the aim of being a success. A drive to succeed should include effective planning, which is more likely to make the enterprise a success.*

*Another skill Nathan has demonstrated is social responsibility. It is clear that he believes strongly in the responsibility that he has to the environment. This skill will help him to become a successful entrepreneur because it is important that the business gains a good reputation in the local community as this is where the majority of Nathans revenue will be coming from.*

***Extra skill……………****Another skill Nathan has demonstrated is self-confidence; he is leaving his father’s well-established business and taking the risk in starting his own business. This skill will help him to become a successful entrepreneur because it is important in helping him believe that he can make a success out of the enterprise.*

**Describe two features that would enable Nathan’s business to be successful in a thriving economy and to stand out from his competitors. (4 marks)**

*Helping the local community – Nathan is determined to ensure that his enterprise is as distinctive as possible. He is offering a local care home his services at a discounted rate. This would help to make his enterprise stand out from others in the area. This would be distinctive because, although it might mean a loss of potential revenue in the short term, in the long term it would make his enterprise popular resulting in more customers.*

*Being environmentally friendly - He is using only a hybrid vehicles that is environmentally friendly. Many people are interested in ‘environmentally friendly’ services, so this will help to attract such people to his enterprise rather than to the competition. Therefore, even though the hybrid vehicle may be more expensive than a normal vehicle, in the long term Nathan should seek the financial rewards from investing in such a vehicle.*

*Past experience – Unlike some of his competitors Nathan has a lot of experience in the industry from working with his father. Not only in the practical work but he also undertook most of the marketing for his family business, so he knows the most effective ways to create and distribute fliers, as well as place advertisements in local newspapers to attract business. Using his experience, Nathan plans to contact local councils that have parks departments and residential areas with large gardens. These will be sources of repeat revenue for the business.*

**Outline the possible impact of fraud and theft on the effective management of money by Nathan’s business. (3 marks)**

Should Nathan business be a victim of fraud or theft he may see a fall in profits. If Nathan suffers theft, he may have to replace equipment, leading to him having to raise prices; this could impact negatively on his market share and overall revenue. As a preventative measures he could install CCTV around the garage where the equipment will be kept.

If Nathan suffers fraud, such as a customer paying him with forged notes he could struggle to manage his finances such as meeting his loan repayments. This could lead to him have to pay extra interest and gaining a bad credit rating. To prevent this Nathan and his staff could undertake training in how to recognise forged notes.

Nathan should also take out insurance to protect his business. Nathan could use tools such as such as cash-flow forecasting / budgeting and financial planning to help him manage the money within the business. Nathan must ensure a key feature of his budget is flexibility, should he suffer theft or fraud.

**Explain three factors (at least one internal and one external) that might have an impact on Nathan’s business budget. (6 marks)**

*A possible external factor that would impact on Nathan’s budget would be if the government increased an indirect tax, such as VAT. This could have an effect on the demand for his services as he will have to increase his prices; customers may not be willing to pay an increased price. If this happened Nathan would have to re-do his budget as his revenue will have dropped. This could result in him having to make an employee redundant.*

*Another possible external factor that would impact on Nathan’s budget is inflation. If the rate of inflation increased it would mean that Nathans current budget would not cover his costs, such as the cost of the fuel to run the tree cutting equipment. Also, Nathans customers might not be able to afford his services as the price of their essential items will have increased. Many of them will probably not see getting their trees cut as being essential. Finally Nathans employees may look for a pay rise. If inflation has increased they will be struggling to afford their everyday necessities. Therefore an increase in inflation will could decrease Nathans revenue and increase his costs.*

*A possible internal factor that would impact on Nathan’s budget is how much retained profit he intends to keep back over the year. As Nathan thinks he will be in a position to expand after one year he needs to think ahead and plan how he will finance the expansion. If Nathan keeps too much retained profit over the year for the expansion it could leave him vulnerable should an unexpected event occur, e.g. – needing to replace an expensive piece of equipment. If Nathan keeps too little retained profit over the year for the expansion, he may not be able to afford to expand e.g. – take on more staff and purchase more equipment. Although he could take out another bank loan but he will be charged interest on the amount borrowed.*

**Outline three ways (at least one positive and one negative) in which Nathan’s employees could have an impact on the business. (3 marks)**

*If Nathans employees, Richard, his mother Anna and his sister Adina have a good work ethic productivity within the business will be good. For example, if Richard is on time for his jobs and completes the work to a high standard of work and if Adina provides good customer service Nathan should gain loyal and repeat customers. This will lead to increased sales and the business having a positive reputation in the local community.*

*However if Nathan’s employees have a poor work ethic it could damage the reputation of his business. For example, if Richard was late for jobs and Adina was rude to customers it may result in a potential loose of sales. This will be due to customers not returning to use Nathans service. Word of mouth is a major source of promotion especially for new businesses; if customers tell each about the bad service they received it will also reduce sales for Nathan.*

*Unfortunately, not all employees are honest. If one of Nathans employees (Richard, Anna or Adina) is untrustworthy, it could lead to theft or even fraud on Nathans business. If they were to steal money, Nathans finances could be effected, he may not be able to meet the repayments on his bank loan. This could lead to him being charged extra interest and damaging his credit rating. If any of his employees were to commit fraud by ringing is sick all the time it could lead to Nathan not being able to for fill his commitments to customers. This would decrease his revenue and if he had to find new employees he may to may for advertising.*

**Explain different ways in which Nathans entrepreneurship can contribute to the economy.**

**(7 marks)(+ 3 SPAG marks)**

*Nathans entrepreneurship can contribute to the economy, as he will create jobs in the local community, especially if his plans to expand go ahead. This will give a wage to those who may have been receiving government benefits. This can substantially affect the standard of living and quality of life of people in a society. As his employees will spend their wages locally, local businesses will benefit from the increased revenue. Therefore, Nathan’s business would bring further trading opportunities to other local businesses like farmers and market traders. These businesses would increase sales and thus raise income for the economy via corporation tax. Overall, this will result in economic growth for the country and increase GDP.*

*Nathans entrepreneurship can also contribute to the economy, as he will be increasing government revenue. This is because Nathan’s business will be a registered private company he will legally be required to pay corporation tax on income he earns. Also, if employees earn over their personal allowance they will have to pay income tax and national insurance. Nathan’s business will also be decreasing government expenditure, as once employed, these people will no longer receive Job seekers Allowance. The extra revenue that the government has can then be used to improve public services such as education and health care.*

*Finally, Nathans entrepreneurship can contribute to the economy, as he will be giving Richard and his sister Adina work skills and work experience. Many of these skills will be transferable to other types of work, which Richard and Adina can use throughout their employment careers. This experience can also help workers to know more about their abilities and about their potential as a worker. In the long term, Richard and Adina may even feel confident enough to start their own businesses. This could lead to enhanced growth of the economy, they are therefore crucial to the long-term health and prosperity of both the local and national economy.*

**Outline one way that Nathan’s ethical enterprise idea could contribute to the improvement of the economy. (2 marks)**

*By establishing this business, Nathan would improve the local economy by bringing employment to local people. This in turn creates income for people, removing them from government benefits. The government’s income from taxation will also increase. If consumers were satisfied with Nathan’s service, they would be supporting a local, ethical business, which in turn would bring financial benefits to the local area and the economy.*

**Outline the ways in which Nathan’s business could manage its money. (4 marks)***Nathan should produce a business plan showing details of the finance he has, the finance he requires, what he intends to use it for and the cost of any new equipment he would like to purchase. If Nathan does this his bank are more likely to lend him money as the business plan will show if Nathan is going to be able to meet the repayments.*

*Nathan must realise that cash is becoming less important as a means of financing transactions. Therefore, he should provide a mobile card facility so that customers could pay with a debit card or a credit card. Many customers will appreciate this facility, as we are becoming a cashless society. It may even encourage customers to use Nathans service over another competing business.*

*Nathan should make sure he takes advantage of all the free tools that banks offer to help businesses manage their finances. This includes online, mobile and telephone banking. Such tools will allow Nathan to manage his finances even when he is out on a job; he can monitor all inflows and outflows from his accounts.*

**IDENTIFY three factors that Rob will need to consider when preparing budgets and cash flow forecasts for his business. (3 marks)**

* *Revenue – estimated sales*
* *Costs – wages, equipment etc.*
* *Finance costs – the monthly loan repayment plus interest*

Vinnie

* **FIRST,** state your point in one sentence. Then go on to explain it using connectives and information from the case study.
* Read the question at least **TWICE** to ensure you are answering the question asked
* Ensure you answer all of the question, example:

***“Describe two aspects of Nathan’s enterprise which could be regarded as examples of ethical behaviour in relation to society and how it affects business revenue”***

You must explain Nathans ethical behaviour **AND** it to **SOCIETY** and **BUSINESS REVENUE.**

* When asked for “two” or “three” of something in the question **skip a line** between each point.
* Use as much information for the case study as you can.
* Use connectives, remember your chain of argument
* In the long question, usually question 5, fully explain **at least 3 points** in separate paragraphs
* Study the answers below and compare them to your answers

Sample Answers – Remember you are expected to write a lot!

**1 (i) Explain two skills that Nathan has demonstrated which indicate that he could be described as a successful entrepreneur. (4 marks)**

*One skill that Nathan has demonstrated is the drive to succeed, he knows starting a news business will not be easy. Being driven is a necessary skill for a successful entrepreneur because Nathan will be motivated by the aim of being a success. A drive to succeed should include effective planning, which is more likely to make the enterprise a success.*

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**(ii) Describe two features that would enable Nathan’s business to be successful in a thriving economy and to stand out from his competitors. (4 marks)**

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