



TONBRIDGE SCHOOL

Test for Entrance into Year 12 in September 2015

Business

Time allowed: 45 minutes

Total Marks: 25

Instructions

- You may use a calculator
- Answer **all** questions.

Information

- Mark allocations are shown in brackets. The mark indicates the amount you should write for each answer.
- It is understood that you may not have studied Business Studies. You are not therefore expected to use subject-specific language or theories, unless provided.
- The quality of your written communication will be considered when your script is reviewed.

Read the following case study and use it to answer the questions below.

McDonalds UK

McDonalds is on most high streets. It provides popular fast food. Many of its branches operate as a franchise. This means that it is not McDonalds that actually operates them but entrepreneurs who have bought the right to use the brand. This route into opening a business is popular. There are a number of benefits to someone starting up a business with a well-known brand name, particularly one that enjoys approximately £2.3bn of sales in a UK fast food market worth £6.9bn (in 2012).

However, a franchisee has to face the same sort of business problems as any other entrepreneur. The fast food market is competitive and new firms are entering all the time. Also, the external environment is always changing, particularly in terms of economic and social trends, and McDonalds needs to keep ahead of these changes. Firms which 'get it wrong' quickly go out of business. It explains the importance attached by McDonalds to "acting on the feedback given to us by our customers".

In the past, it has been criticised for its lack of ethics: producing food which is high in fat, salt and sugar; and providing mainly unskilled, low paid jobs for its employees. McDonalds has always rejected these claims noting the regular updating of its product range and pointing out that its customer serving staff often go on to enjoy a highly successful career in business and that it has been voted one of Britain's Top Employers.

1. Define the term 'ethics'. [2]
2. State **two** reasons why market research is carried out by McDonalds. [2]
3. Explain one way that social trends might affect McDonalds. [4]
4. Market share is the proportion of sales a business has in relation to the total market. Calculate McDonalds' market share in 2012. [2]
5. Explain one likely effect on McDonalds of an increase in competition. [5]
6. A franchise is when an entrepreneur buys the right from a franchisor, like McDonalds, to copy a business format.

Explain two possible reasons for buying a franchise **rather than** starting one's own business. [10]

END OF PAPER