



Business assessment activity – Answer sheet

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Total marks available 25

Question 1 – What type of business is ADSports? [1 mark]

b) National

Question 2 – What is organic growth? [2 marks]

- Organic growth is when a business grows from within. [1 mark]
- One way in which a business can do this is to open more stores. [1 mark]

Question 3 – Calculate ADSports net profit for 2019 and state the formula used. [2 marks]

- £1410000 [1 mark]
- $\text{Net Profit} = \text{Gross Profit} - \text{Expenses}$ also accept $\text{Net Profit} = \text{Gross Profit} - \text{Total Expenses}$ [1 mark]

Question 4 – Calculate ADSport gross profit percentage for 2023 and state the formula used. [2 marks]

- 11.11% [1 mark]
- $\text{Gross Profit Margin} = \text{Gross Profit} / \text{Revenue} \times 100$ also accept $\text{Gross Profit Margin} = (\text{Gross Profit} / \text{Membership}) \times 100$ [1 mark]

Question 5 – State one advantage and one disadvantage of ADSports sponsoring successful sporting teams and sporting events. [2 marks]

- Advantage – Large exposure to a wide audience.
- Disadvantage – Can be costly for the business.

Accept any other reasonable response.

Question 6 - Analyse the impact of ADSports's gym members paying for their gym membership annually. [4 marks]

1 mark x impact stated (maximum 2)

1 mark x explanation (maximum 2)

Possible answers could include:

- It's good for the business as it receives a large sum of money in one go.
- There are no issues with members missing monthly payments.
- It could put people off joining the gym as not everyone has the money to pay up front.
- It limits monthly cash flow, as membership fees are only received once a year.
- If members paid monthly, they could be charged interest which could make the business more money.

Accept any other reasonable response.

Question 7 - An additional recommendation which the consultancy business has given ADSports is to make all of their employees redundant and re-employ them on a self-employed basis, so they are only paid for the classes they take. Outline the advantages and disadvantages of ADSports acting on this recommendation. [4 marks]

1 mark x answer given (maximum 2)

1 mark x explanation (maximum 2)

Advantages could include:

- Saves the business a large amount of money.
- Business only pays staff when they are required e.g. busy times.
- No requirement to pay staff sick pay, annual leave, maternity leave which saves the business money.
- Easier to get rid of underperforming staff.
- Can employ specialist staff when and where they are required.

Disadvantages could include:

- It's not a very ethical way of treating people who have worked hard for your organisation.
- Can lead to demotivation as staff won't be interested in developing themselves if there is no opportunity to grow within the organisation.
- If staff leave, it can create a loss of corporate knowledge.
- Members may leave the gym if they feel employees haven't been treated fairly.

Accept any other valid response.

Question 8 – Advise ADSports whether or not they should act on all of the suggestions which the consultancy business has given them. [8 marks]

Use the following criteria to award marks based on the answer given.

1 – 2 marks – Limited written response given, only one or two suggestions discussed. No use of technical language.

3 – 4 marks – Basic written response given, several suggestions discussed. Limited use of technical language. Only qualitative data referred to in answer.

5 – 6 marks – Good written response given, most suggestions discussed. Attempt has been made to justify most points made, some technical language used. Quantitative data referred to in answer. Quality of written response at a satisfactory standard.

7 – 8 marks – Excellent written response given, all suggestions considered. Each point made has been fully justified and technical language – where appropriate – has been used. Both quantitative and qualitative data referred to in answer. Quality of written response at an excellent standard.

