

Franchises

Questions

1. The percentage of gross sales that a franchisee pays to the franchisor is known as a...

- Initial investment
- Cost of sale
- Royalty
- Dividend

2. Which of these businesses is NOT a franchise?

- Molly Maid
- Northern Rock
- Domino's Pizza
- Stagecoach Theatre Arts

3. Why do franchisees often find it easier to raise finance from a bank?

- Venture capitalists will not invest in a franchise
- A franchise comes with a ready-made business plan
- Franchisees tend to be better entrepreneurs
- Banks understand the risks in lending to popular franchises

4. Which of these businesses uses franchises to reach customers?

- Marks and Spencer
- Thorntons
- Corus
- National Health Service

5. Which statement about a franchisor is true?

- A franchisor owns the right to sell the business format
- A franchisor is a partnership
- A franchisor cannot trademark its business format
- A franchisor pays a royalty to a franchisee

6. A franchisor...

- Allows a franchisee to trade using its business format
- Pays a franchisee to buy a business format
- Pays commission on sales by a franchisee
- Provides the finance for a franchisee to set up in business

7. Which sector of the economy of most franchises operate in?

- Primary sector
- Secondary sector
- Tertiary sector
- Public sector

8. True or false: there are around 50,000 different franchise formats in the UK

- True
- False

9. Which of these is an advantage of starting up as a franchise?

- Not your own business
- A tried and tested format
- No need for advice or training
- Very small investment required

10. Which of these statements is true?

- A franchise is likely to generate over £2m in sales each year
- Most franchises are loss-making
- Franchises earn higher profits than other businesses
- Franchises are usually a lower risk method of starting-up

Questions

1 Royalty

2 Northern Rock

3 Banks understand the risks in lending to popular franchises

4 Thorntons

5 A franchisor owns the right to sell the business format

6 Allows a franchisee to trade using its business format

7 Tertiary sector

8 False

9 A tried and tested format

10 Franchises are usually a lower risk method of starting-up