

Write your name here

Surname

Other names

Centre Number

Candidate Number

**Edexcel GCSE**

**Business Studies,  
Business Communications  
Business Studies and Economics  
Unit 1: Introduction to Small Business**

Wednesday 12 January 2011 – Morning  
**Time: 45 minutes**

Paper Reference

**5BS01/01**

**You do not need any other materials.**

Total Marks

### Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** the questions.
- Answer the questions in the spaces provided – *there may be more space than you need.*

### Information

- The total mark for this paper is 40.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- A calculator may be used.

### Advice

- Read each question carefully before you start to answer it.
- Keep an eye on the time.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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**Answer ALL the questions**

**Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.**

**1** Which **one** of the following is an example of primary market research?

Select **one** answer:

- A** Government statistics.
- B** Newspaper articles.
- C** Survey of customers.
- D** Internet research.

**(Total for Question 1 = 1 mark)**

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**2** Which **two** of the following are key features of enterprise?

Select **two** answers:

- A** Employing at least one worker.
- B** Having the right qualifications to run a business.
- C** Being prepared to take risks.
- D** Having a willingness to take on new ventures.
- E** Registering as a private limited company.

**(Total for Question 2 = 2 marks)**

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**3** Identify **two** possible disadvantages of operating a business as a franchise.

Select **two** answers:

- A** The cost of the initial investment can be high.
- B** Franchises have to take out a patent.
- C** Franchises have to pay a higher rate of Value Added Tax (VAT).
- D** A lack of freedom for the owner in making decisions.
- E** It can access help and advice from the franchise owner.

**(Total for Question 3 = 2 marks)**

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**Questions 4 and 5 are based on the information below.**

Hancock's is a small pottery business which specialises in garden plant pots. It has the following financial information for one month.

Number of pots produced and sold:	150
Average price per pot:	£10
Variable cost per pot:	£2
Fixed costs per month:	£500

**4** What are the total costs for Hancock's during the month?

Select **one** answer:

- A** £450
- B** £650
- C** £800
- D** £1 500

**(Total for Question 4 = 1 mark)**

**5** The owners of Hancock's decide to try to increase profit. Which **three** of the actions below will most likely achieve this, assuming it sells the same number of pots each month?

Select **three** answers:

- A** Buy cheaper raw materials used to make its products.
- B** Increase the sales price of an average pot to £11.
- C** Increase the number of workers employed during the weekend.
- D** Buy more expensive raw materials used to make its pots.
- E** Increase advertising expenditure.
- F** Relocate to cheaper premises.

**(Total for Question 5 = 3 marks)**



**Questions 6 to 9 are based on the information below.**

Marcus Borega is a sole trader. His business imports high quality toy cars from the USA. His main customers are collectors and sports car enthusiasts in the UK. The exchange rate is very important for the business. When Marcus started the business the exchange rate was £1 = \$2.

- 6** After one year in business, the exchange rate changed to £1 = \$1.70. Marcus decided to keep the prices he charged his customers the same.

Identify **two** possible effects of the change in the exchange rate on the business.

Select **two** answers:

- A** Lower fixed costs for the business.
- B** The costs of buying the toy cars from the USA will rise.
- C** Makes it easier for Marcus to sell his toy cars in the UK.
- D** Increased added value on each toy car sold by Marcus.
- E** Marcus will make lower profits on each sale.

**(Total for Question 6 = 2 marks)**

- 7** Marcus used the idea of deliberate creativity to develop his ideas for the business.

Deliberate creativity involves which **two** of the following techniques?

Select **two** answers:

- A** Starting a business which provides a service.
- B** Brainstorming business ideas.
- C** Drawing lists to compare options.
- D** Producing a cash flow forecast.
- E** Preparing a business plan.

**(Total for Question 7 = 2 marks)**



**8** A sole trader has unlimited liability.

Identify **one** disadvantage of unlimited liability for a sole trader such as Marcus.

Select **one** answer:

- A** The need to pay higher taxes.
- B** Less control of the business.
- C** The need to share profit with other shareholders.
- D** Risk of losing personal possessions.

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**(Total for Question 8 = 1 mark)**

**9** Which **two** of the following taxes will Marcus have to pay in the course of running his business?

Select **two** answers:

- A** Corporation tax.
- B** Distribution tax.
- C** Income tax.
- D** Labour tax.
- E** National Insurance contributions.

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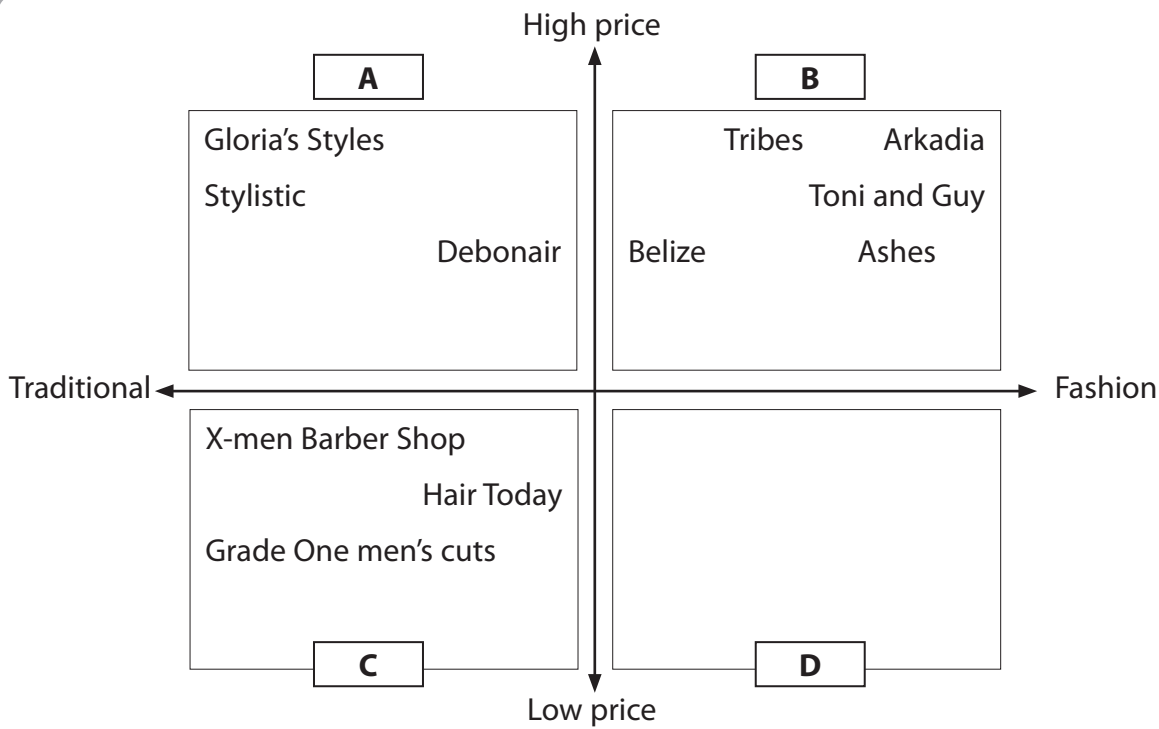
**(Total for Question 9 = 2 marks)**



**Questions 10 to 14 are based on the information below.**

Mark Steel is a qualified hairdresser looking to set up in business as a sole trader. He has carried out some market research in the town where he lives. There are 11 hairdressing businesses in the town. Mark's speciality is in creating styles which involve a high degree of skill that adds significant value. Mark's reputation has been boosted by winning a styling competition in a leading fashion magazine.

Mark has produced a market map to identify whether any gaps in the market exist. This is shown below.



**10** According to the market map, where is there a gap in the market?

A business which provides:

Select **one** answer:

- A** High price/traditional.
- B** High price/fashion.
- C** Low price/traditional.
- D** Low price/fashion.

**(Total for Question 10 = 1 mark)**



**11** The market map opposite has four sectors, A, B, C and D.

To which part of the market map would Mark's skills be most suited?

Select **one** answer:

- A** A
- B** B
- C** C
- D** D

**(Total for Question 11 = 1 mark)**

**12** In setting up his business Mark knows he will have to take a calculated risk.

Which **one** of the following would be an example of a calculated risk for Mark?

Select **one** answer:

- A** His fixed costs are 50% of his total costs.
- B** There is a 40% chance of the business surviving the first year.
- C** Mark's variable costs rise by 25% in the first six months.
- D** 10% of his customers will be over 65 years old.

**(Total for Question 12 = 1 mark)**

**13** Mark is considering different sources of finance to start his business.

Which **two** of the following sources of finance would be most appropriate for Mark to start up his business?

Select **two** answers:

- A** Personal savings.
- B** Selling the business's assets.
- C** Issuing shares to new shareholders.
- D** Retained profit.
- E** Bank loan.

**(Total for Question 13 = 2 marks)**



**14** Which **two** of the following are sources of added value for Mark's business?

Select **two** answers:

- A** Offering late-night opening appointments.
- B** Asking customers to complete a questionnaire after their appointment.
- C** Ensuring he manages cash flow effectively.
- D** Providing free refreshments and drinks for customers.
- E** Locating in an area where other hairdressers already operate.

**(Total for Question 14 = 2 marks)**

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Questions 15 and 16 are based on the information below.

## Job Advertisement

### Print Designer

Moorland is a small printing business that has a vacancy for a male print designer working as part of a busy team in a well equipped office environment.

Applicants must be aged between 18 and 20 and:

- have 5 GCSEs at A\* – C (including maths and English)
- have experience of using Graphix 2302 software
- be well organised and able to meet deadlines
- be able to work as a member of a team.

No wheelchair users need apply.

**15** The above was the advertisement that Moorland initially planned to use. One of the managers pointed out that it contained **three** pieces of information which would break employment legislation.

Select **three** answers:

- A** Male print designer.
- B** Having 5 GCSEs at A\* – C.
- C** No wheelchair users need apply.
- D** Must be aged between 18 and 20.
- E** Well organised and able to meet deadlines.
- F** Have experience of using Graphix 2302 software.

**(Total for Question 15 = 3 marks)**



## Person Profile

**Name:** James Grant

**Qualifications:**

5 GCSEs at A\* – C (including maths and English)



**Skills/experience:**

- Used range of IT during GCSEs.
- Used Graphix 2302 software.
- Part-time work as a sales assistant in a petrol station.

**Attitudes (from interview)**

*'I'm a 'people person'...like working with others'*

*'keen to learn and to start at the bottom'*

*'never had a day off at school'*

**16** Moorland decided that the job would be offered to James Grant.

Using the information, identify the **two** most likely reasons why James was successful.

Select **two** answers:

- A** He has a degree in computing.
- B** Experience of specific software.
- C** He preferred to work alone rather than in a team.
- D** Relevant work experience in a print office.
- E** Positive attitude towards the specific job.

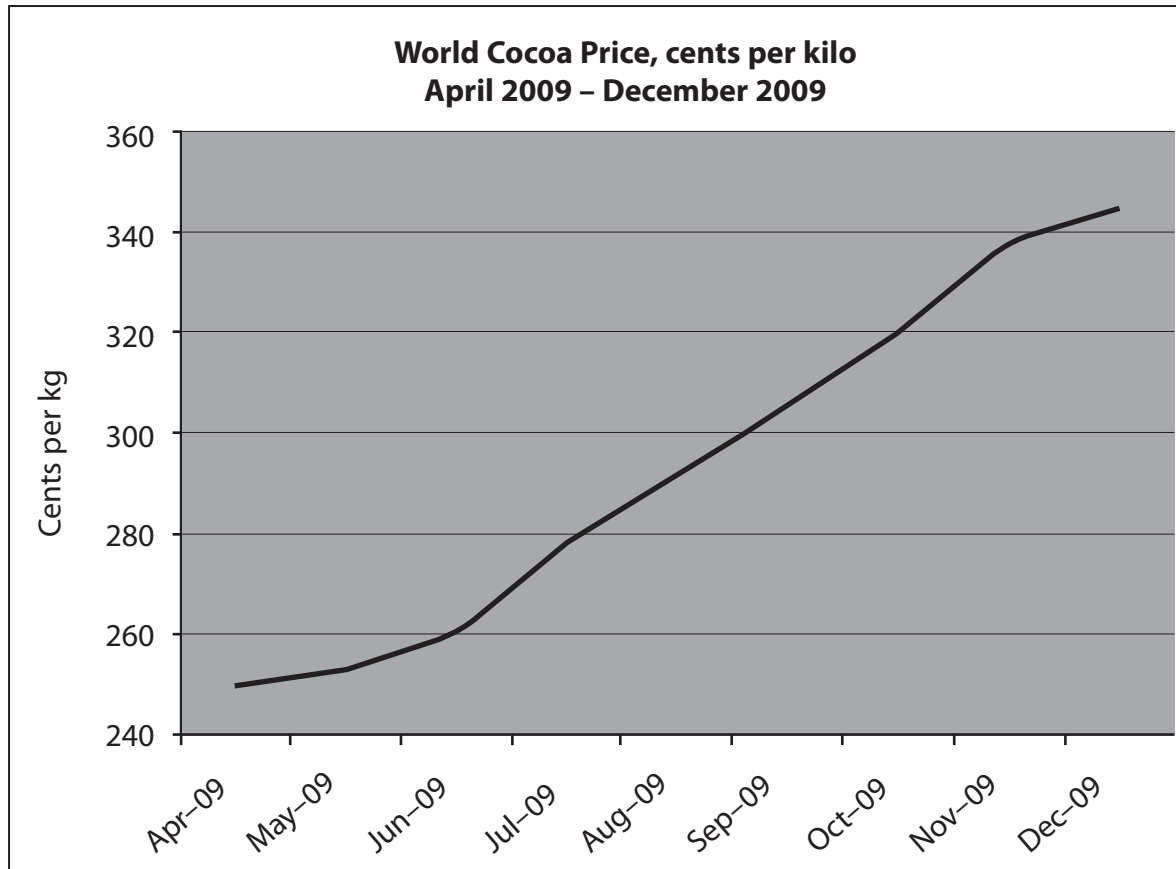
**(Total for Question 16 = 2 marks)**



**Questions 17 and 18 are based on the information below.**

The chart shows a rise in the world price of cocoa. Cocoa is a commodity which is used by a range of industries. For chocolate producers cocoa is the main ingredient.

Chocolicious is a small business making hand-made chocolates. The market it operates in is very competitive. One source of competitive advantage it holds is in the quality of its chocolates. The owners of Chocolicious are worried by the recent rise in the price of cocoa.



**17** Which **three** factors below are the most likely causes of the rise in price of cocoa?

Select **three** answers:

- A** Lower demand for cocoa from chocolate producers.
- B** Increased profits made by cocoa producers.
- C** News reports suggesting some health benefits from cocoa.
- D** Greater supply of cocoa by producers.
- E** Poor weather leading to a poor harvest of cocoa.
- F** Higher demand for cocoa by chocolate manufacturers.

**(Total for Question 17 = 3 marks)**



**18** Chocolicious has decided that it needs to change its marketing mix in response to the rising price of cocoa.

Which **two** changes to the marketing mix would you advise, given what is happening in this market?

Select **two** answers:

- A** Reducing its Corporation Tax payments.
- B** Producing a new business plan.
- C** Contacting supermarkets to seek new retailers for its products.
- D** Making five members of staff redundant to cut costs.
- E** Using cheaper ingredients in the product.

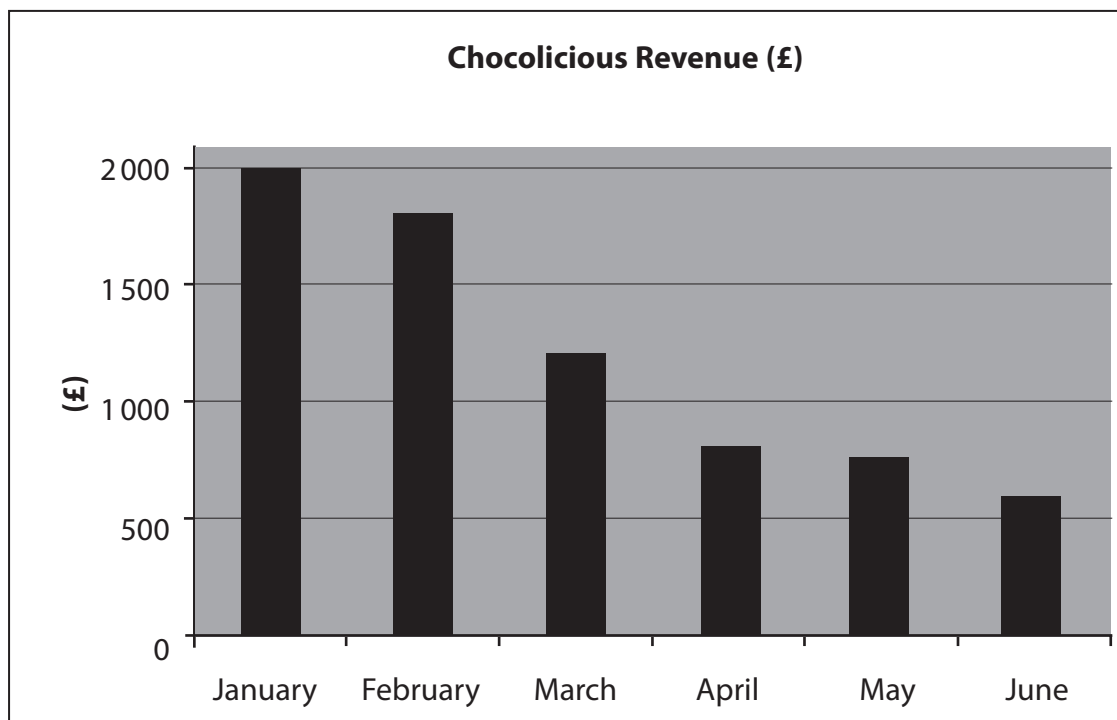
**(Total for Question 18 = 2 marks)**

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M 3 8 5 0 4 A 0 1 3 1 6

The graph shows the change in revenue at Chocolicious for the first six months of the year.



**19** Which **two** of the following are the most likely explanations for the change in revenue at Chocolicious?

Select **two** answers:

- A** A rise in variable costs.
- B** A downturn in the business cycle.
- C** An improved cash flow position.
- D** A fall in sales.
- E** A rise in profits.

**(Total for Question 19 = 2 marks)**



**20** Match the definition on the left with the correct term on the right.

Show your answers by drawing a line from the definition on the left, to the matching term on the right. If you change your mind about an answer, cross the line out and draw a new line to mark your new answer.

Definition	
An individual or group which has an interest in the success of a business or is affected by the activities of a business	i
A diagram that is used to record words and ideas connected to a central word or idea	ii
The legal ownership of material such as books, music and films which prevents these being copied by others	iii
A plan for the development of a business giving forecasts of items such as sales, costs and cash flow	iv
A person who owns and runs their own business and takes risks	v

Term	
A	Shareholder
B	Inventor
C	Mindmap
D	Copyright
E	Stakeholder
F	Business plan
G	Entrepreneur
H	Patent

**(Total for Question 20 = 5 marks)**

**TOTAL FOR PAPER = 40 MARKS**



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