

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**

Tuesday 10 January 2012 – Afternoon

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 the definition of innovation?

Select **one** answer:

- A Bringing a new idea to market
- B Taking a calculated risk
- C The process of thinking ahead
- D Developing competitive advantage

(Total for Question 1 = 1 mark)

2 Which **two** of the following are methods of protecting business ideas?

Select **two** answers:

- A Franchising
- B Limited liability
- C Copyright
- D Business plan
- E Patent

(Total for Question 2 = 2 marks)

3 Which **three** of the following are examples of market segments for a small sports retailer?

Select **three** answers:

- A Rival sports retailers in the same area
- B Young members of local sports teams
- C A questionnaire conducted with customers
- D Individuals with interests in specialist sports
- E Manager of a local netball team.
- F An advertisement in a local newspaper

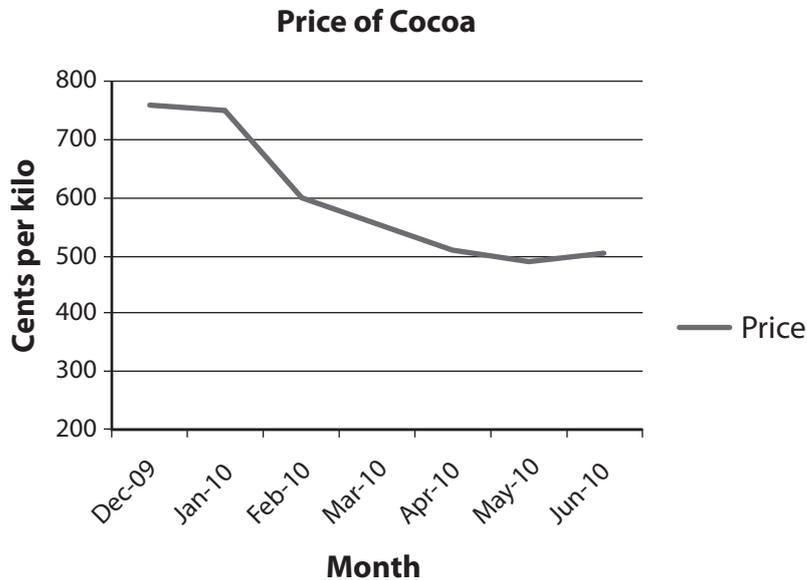
(Total for Question 3 = 3 marks)



Question 4 is based on the information below:

Cocoa is a commodity which is traded on world markets. Cocoa is used in different industries, such as food and confectionery.

The chart shows the falling price of cocoa between December 2009 and June 2010.



4 Which **three** of the following are the most likely causes of the fall in the price of cocoa?

Select **three** answers:

- A** Less supply of cocoa by African producers
- B** Higher demand for cocoa by European chocolate manufacturers
- C** Increased awareness of the possible dangers of cocoa consumption
- D** Good harvests of cocoa in producer countries
- E** Rising consumption of goods for which cocoa is an ingredient
- F** Greater demand for cocoa substitutes

(Total for Question 4 = 3 marks)



Questions 5 and 6 are based on the information below:

Hayley Franks wants to own and run her own shoe shop. She can set up as a sole trader or as a franchise with a major UK shoe brand. Research shows that the franchise has an 80% success rate. The sole trader has a 50:50 chance of survival.

5 Using the principle of calculated risk, which decision should Hayley make?

Select **one** answer:

- A** Don't choose either option as both have a chance of failing
- B** Choose the franchise as it is the least risky option
- C** Choose to start as a sole trader as she will keep all profits made
- D** Choose to start as a sole trader as there is a 50% chance of success

(Total for Question 5 = 1 mark)

6 Hayley decides to produce a business plan to help minimise the risk when starting up her business.

Which **two** of the following would **not** be necessary to include in her business plan?

Select **two** answers:

- A** Name and addresses of all employees
- B** A summary of market research she has carried out
- C** A cash flow forecast
- D** Photograph of the business owner
- E** An overview of the nature of the business

(Total for Question 6 = 2 marks)



Questions 7 to 9 are based on the information below.

The following table shows Hayley's cash flow forecast for April to June.

7 Fill in the **four** blanks to complete the table.

	April	May	June	
Receipts (£)	17 000		22 000	(1)
Payments (£)				
Raw materials	8 500	10 000	11 000	
Fixed costs	2 000	2 000		(1)
Other costs	3 400	4 100	3 900	
Total payments	13 900	16 100	16 900	
Net cash flow		3 900	5 100	(1)
Opening balance	1 500	4 600	8 500	
Closing balance	4 600		13 600	(1)

(Total for Question 7 = 4 marks)

8 According to the information in the cash flow forecast, which **two** conclusions can be drawn from the data?

Select **two** answers:

- A Total net cash flow for May to June will be £9 000
- B A bank would be likely to grant this business an overdraft
- C Hayley's business will make a profit of £13 600 in June
- D 'Other costs' are forecast to decrease between April to June
- E The cash flow for July to December will be positive

(Total for Question 8 = 2 marks)



9 Hayley imports all her stock from the USA.

What would be **two** effects on the business if the pound weakened against the dollar by 20%, assuming all other costs and receipts remain the same?

Select **two** answers:

- A Fixed costs would increase by 20%
- B Total costs would increase
- C Hayley could charge a lower price for her shoes
- D Raw materials costs would fall by 20%
- E The net cash flow position of the business would worsen

(Total for Question 9 = 2 marks)



Please read the passage below carefully and then answer questions 10 and 11 which both relate to the passage.

Job Advertisement

Trainee Accountant

Hammills Accountants are looking to appoint a young trainee accountant. Candidates should have 5 GCSEs at A*-C, including Maths and English, plus at least two A-Levels at grade C or higher.

Experience is desirable but not essential as full training is given.

The successful candidate must be aged between 18 and 25 and will be expected to work as part of a team.

Applicants should not have any record of illness in the previous 12 months.

Hammills Accountants received nine applications for the post. Two candidates – Amandeep and David – were shortlisted for interview.

David arrived at the interview in his wheelchair. Following the interview the owner of the business decided to appoint Amandeep, even though her qualifications were not as good as David's. The owner felt that Amandeep did better in the interview. He was also worried that David's wheelchair would put him at a disadvantage.

10 Which **two** of the following broke employment legislation in this recruitment process?

Select **two** answers:

- A Requiring candidates to have specific qualifications
- B Not appointing the candidate with the best qualifications
- C Rejecting David due to his disability
- D Advertising for a trainee accountant aged between 18 and 25
- E Stating that experience is desirable

(Total for Question 10 = 2 marks)



11 When recruiting staff employers need to ensure they find someone with the right skills and attitudes.

Which **two** of the following are examples of the employee attitudes that might be desirable for Hammills?

Select **two** answers:

- A** A willingness to undertake training
- B** Having experience of similar work
- C** Being able to operate different office equipment
- D** Having a range of academic qualifications
- E** Being prepared to work as part of a team

(Total for Question 11 = 2 marks)

12 Some businesses produce goods whilst others produce services.

Which **two** of the following are examples of goods?

Select **two** answers:

- A** A bus journey
- B** Freshly-prepared sandwiches
- C** A newspaper
- D** Haircut
- E** Computer repairs

(Total for Question 12 = 2 marks)



Questions 13 and 14 are based on the information below:

Andrew Plant lost his job as a fitness instructor at a local gym. He always wanted to run his own business. He was keen to use his interest in cooking. Andrew had a talent for producing high quality desserts.

He decided to set up a business, with three friends, as a private limited company supplying desserts to local restaurants.

13 Identify **two** advantages to Andrew of setting up as a private limited company rather than starting as a sole trader.

Select **two** answers:

- A** The potential to raise more finance
- B** All profits will go to Andrew
- C** Andrew has total control of the business
- D** Less risk due to limited liability
- E** Fewer legal requirements

(Total for Question 13 = 2 marks)

14 Which **one** of the following sources of finance would be most appropriate in starting a private limited company?

Select **one** answer:

- A** Retained profit
- B** Share capital
- C** Overdraft
- D** Sale of business assets

(Total for Question 14 = 1 mark)



Questions 15 to 17 are based on the information below:

A business has the following cost and price information:

Variable Costs:

- Raw materials – £2.70 per unit
- Packaging – £1.20 per unit
- Delivery – £0.50 per unit

Fixed Costs:

- £450 per month

The selling price for each unit of output is £10

15 The business produces 500 units in one month. What is the total monthly value of variable costs?

Select **one** answer:

- A** £4.40
- B** £454.40
- C** £1 350
- D** £2 200

(Total for Question 15 = 1 mark)

16 If the business sells 500 units but its fixed costs rise by £200, what is its monthly profit?

Select **one** answer:

- A** £2 150
- B** £2 350
- C** £2 550
- D** £2 600

(Total for Question 16 = 1 mark)



17 The business is looking at ways of raising awareness of a new product.

Which element of the marketing mix would it use?

Select **one** answer:

- A** Price
- B** Product
- C** Promotion
- D** Place

(Total for Question 17 = 1 mark)

Questions 18 and 19 are based on the information below:

Hardacres is a small family-run hardware business. It has one shop which provides a range of household equipment.

The business has taken out a bank loan of £25 000 in order to carry out improvements to the shop. The bank charges Hardacres an interest rate of 8.5% on the loan.

18 Hardacre's has a large number of customers who regularly return to shop at the store.

This is an example of:

Select **one** answer:

- A** market mapping
- B** repeat purchase
- C** customer service
- D** business offering

(Total for Question 18 = 1 mark)

19 The bank increases the rate of interest on Hardacres loan to 10.5%.

Identify **two** effects of this change on the business.

Select **two** answers:

- A** An increase in cash outflows
- B** Higher National Insurance payments
- C** Lower variable costs
- D** Higher fixed costs
- E** Lower Value Added Tax (VAT) payments

(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	
A business that agrees to manufacture, distribute or provide a branded product under licence	i
Where no business is currently serving the needs of customers for a particular product	ii
The wants and desires of buyers of a product	iii
Thinking differently to try and find new and unexpected ideas	iv
The discovery of potential new products, typically after a period of research	v

Term	
A	Market gap
B	Customer needs
C	Innovation
D	Invention
E	Lateral thinking
F	Goods
G	Franchisee
H	Market segment

(Total for Question 20 = 5 marks)

TOTAL FOR PAPER = 40 MARKS

