

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**

Thursday 10 January 2013 – 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** 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 long-term finance for a sole trader?

Select **one** answer.

- A** Share capital
- B** Overdraft
- C** Bank loan
- D** Trade credit

(Total for Question 1 = 1 mark)

2 Which **two** of the following are possible objectives for someone setting up business as a sole trader?

Select **two** answers.

- A** To allow other people to make all decisions
- B** To benefit from limited liability
- C** To gain financial support from shareholders
- D** To take all the profits
- E** To have full control of the decisions

(Total for Question 2 = 2 marks)

KooKoo is a successful cafe and employs five people. The owner of *KooKoo* wants to expand the business. He believes that changing the elements of the marketing mix will help achieve this expansion.

3 Which **three** of the following are examples of changes to the marketing mix that the owner of *KooKoo* might make?

Select **three** answers.

- A** Introducing new items for sale
- B** Employing one additional worker
- C** Conducting primary market research in the area
- D** Offering a 'buy one get one free' offer on drinks
- E** Charging lower prices than the main local competitor
- F** Producing a yearly cash flow forecast

(Total for Question 3 = 3 marks)



Questions 4 to 6 are based on the information below.

Gail Frith owns *Elegant Designs*. This is a small dress-making business which specialises in dresses for weddings and other special occasions. Gail gathers market information through internet research and direct customer contact.

In a recent customer survey the following results were found.

	%
Customers who believe <i>Elegant Designs</i> provide good customer service	88%
Customers who believe prices at <i>Elegant Designs</i> are reasonable	75%
Customers who would use <i>Elegant Designs</i> in the future	68%
Customers who would recommend <i>Elegant Designs</i> to others	71%

- 4** Gail uses the internet to gather other information. This approach is an example of which type of market research?

Select **one** answer.

- A** Focus group
- B** Primary research
- C** Secondary research
- D** Segmentation

(Total for Question 4 = 1 mark)

- 5** Identify **two** examples of market knowledge that Gail might gain through direct customer contact.

Select **two** answers.

- A** How much profit is made by her competitors
- B** Customer spending habits
- C** What rate of interest will be charged by banks
- D** Latest fashions trends that customers like
- E** The location of other retailers

(Total for Question 5 = 2 marks)



Gail prefers to use lateral thinking techniques as a way of developing new business ideas.

6 Which **two** of the following are examples of lateral thinking techniques?

Select **two** answers.

- A Mind mapping
- B Brainstorming business ideas with a group
- C Producing a business plan
- D Providing a wide range of products
- E Producing a cash flow forecast

(Total for Question 6 = 2 marks)



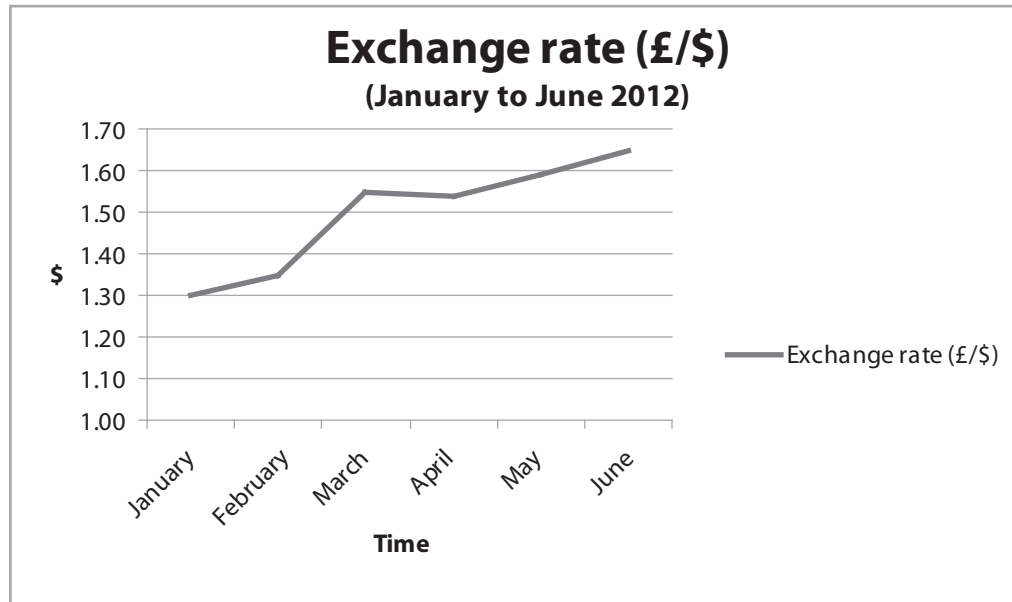
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Questions 7 to 9 are based on the information below.

Michael Fraser had always been passionate about American sports. He has set up a business called *Stateside* that imports American products to sell in the UK.

The exchange rate is important to his business.



For the period above Michael's monthly order from America was exactly the same.

7 Identify **two** effects on Michael's business as a result of the changes in the exchange rate.

Select **two** answers.

- A Higher fixed costs
- B Deteriorating net cash flow position
- C Ability to charge lower prices
- D Lower variable costs
- E Lower profit on each item sold

(Total for Question 7 = 2 marks)



In July 2012 *Stateside* imported 300 baseball caps from America. Each cap cost Michael \$5.00. The July exchange rate was \$1.60 to £1.

8 What was the cost, in pounds (£), to *Stateside* of this order?

Select **one** answer.

- A £306.60
- B £937.50
- C £1 100.00
- D £1 500.00

(Total for Question 8 = 1 mark)

9 Michael wants to add more value to the products he sells.

Which **three** of the following might be sources of added value for a business such as *Stateside*?

Select **three** answers.

- A Total revenue less total costs of the business
- B Only UK retailer selling official US baseball team kit
- C Ensuring high quality products
- D Using more short-term sources of finance
- E Creating a well-known brand name
- F Operating as a private limited company

(Total for Question 9 = 3 marks)

10 Which **one** of the following is the **best** definition of a stakeholder?

Select **one** answer.

- A The shareholders of a limited company who receive dividend payments
- B Any individual or group with an interest in the success of a business
- C Anyone who works within a business
- D A person or group that is able to influence the decisions of a business

(Total for Question 10 = 1 mark)



For each of the scenarios below, identify the **two** stakeholder groups that are **most likely** to be in conflict as a result of the decision.

Scenario 1 – a business decides that it will increase the wages of its lowest paid workers from £6.70 an hour to £7.50.

11 Which stakeholder groups are **most likely** to be in conflict with each other as a result of this decision?

Select **one** answer.

- A** Shareholders and local residents
- B** Customers and competitors
- C** Suppliers and local residents
- D** Shareholders and workers

(Total for Question 11 = 1 mark)

Scenario 2 – a UK manufacturing business decides to buy its raw materials from a German company and not from its usual UK supplier.

12 Which stakeholder groups are **most likely** to be in conflict with each other as a result of this decision?

Select **one** answer.

- A** Shareholders and local residents
- B** Customers and competitors
- C** Suppliers and managers
- D** Shareholders and managers

(Total for Question 12 = 1 mark)



Questions 13 and 14 are based on the information below.

13 The following table shows the revenue and costs of a business over a three-month period. The business manufactures plastic components which are sold to a larger manufacturer.

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

	April	May	June	
Total revenue	£3 700	£3 400	(iv)	(1)
Fixed costs	(i)	£900	£900	(1)
Variable costs	£1 700	£1 600	£1 500	
Total costs	£2 600	(iii)	£2 400	(1)
Profit	(ii)	£900	£1 100	(1)

(Total for Question 13 = 4 marks)

Oil is the main raw material used by the business.

14 What would be the **most likely** effect on the business of an increase in the cost of oil?

Select **one** answer.

- A Interest rates will increase
- B Variable costs will increase
- C Revenue will increase
- D Profits will increase

(Total for Question 14 = 1 mark)

15 Which **two** of the following are subject to legislation to protect workers from discrimination?

Select **two** answers.

- A Qualifications
- B Age
- C Ability
- D Race
- E Skill

(Total for Question 15 = 2 marks)



Questions 16 and 17 are based on the information below.

Lydia Smith, a sole trader, owns and runs *Good Reads*, a small bookshop. The business faces stiff competition from rivals such as supermarkets. Profits have been falling and Lydia is looking to improve her business.

16 Which **two** of the following are the **most likely** methods Lydia could use to help *Good Reads* compete with its rivals?

Select **two** answers.

- A Charge lower prices than supermarkets
- B Improve the quality of its customer service
- C Provide an online ordering service
- D Open three more stores in local towns
- E Launch a national advertising campaign

(Total for Question 16 = 2 marks)

17 Which **two** of the following will Lydia have to pay in the course of running the business?

Select **two** answers.

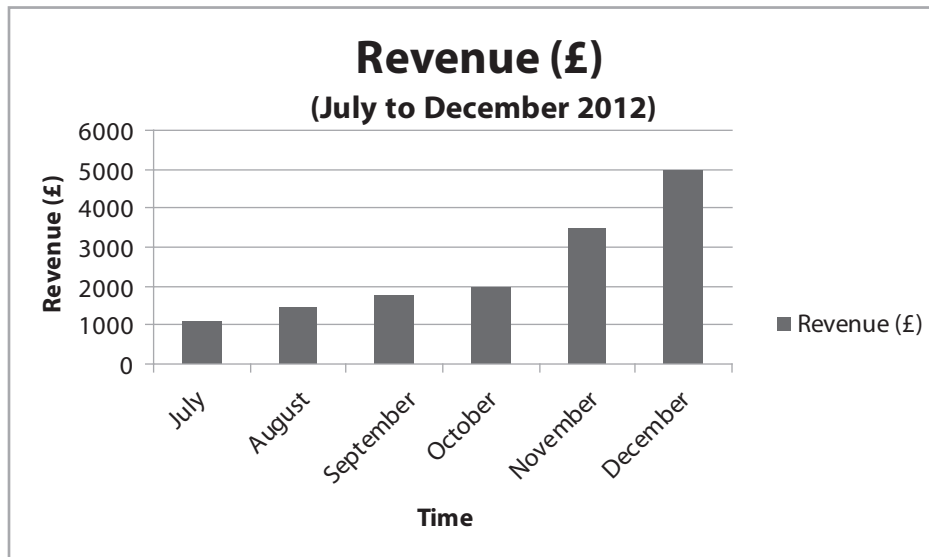
- A Corporation tax
- B Distribution tax
- C Income tax
- D Labour tax
- E National Insurance

(Total for Question 17 = 2 marks)



Questions 18 and 19 are based on the information below.

A business has the following revenue information over a six-month period.



18 Which **three** of the following are the **most likely** explanations for the changes in revenue?

Select **three** answers.

- A An increase in variable costs
- B The product being seasonal
- C A rise in profits
- D A higher level of sales
- E A successful advertising campaign
- F A new competitor entering the market

(Total for Question 18 = 3 marks)

19 Which **one** of the following is an example of calculated risk for the owner of this business?

Select **one** answer.

- A Revenue increases by 400% between July and December
- B Revenue in July is 30% lower than in December
- C There is a 25% chance of profits falling in the next six months
- D Variable costs increase by 40%

(Total for Question 19 = 1 mark)



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

The first one has been done for you.

	Definition
i	A long-term source of finance provided by expert investors who take a role in running the business.
ii	An individual who takes risks in order to make a profit.
iii	A group of customers with similar characteristics.
iv	Raw materials such as coal, oils and wheat.
v	A visual means of showing where a product is positioned in a market.
vi	A document outlining the skills and qualities needed by a job applicant.

Term	
A	Job description
B	Commodities
C	Person specification
D	Market segment
E	Entrepreneur
F	Goods
G	Market map
H	Added value
I	Venture capital

(i) **I**

(ii)

(iii)

(iv)

(v)

(vi)

(Total for Question 20 = 5 marks)

TOTAL FOR PAPER = 40 MARKS

