

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**

Friday 27 May 2011 – 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 Businesses supply goods and services to consumers. Which of the following is an example of a service?

Select **one** answer:

- A A magazine
- B An MP3 player
- C A train journey
- D A bottle of water

(Total for Question 1 = 1 mark)

- 2 Which **two** of the following are examples of commodities which might be used by a bakery?

Select **two** answers:

- A Wheat used in producing bread
- B Rent of premises
- C Electricity used by ovens
- D Sugar used to produce biscuits
- E Wages paid to workers

(Total for Question 2 = 2 marks)

- 3 Which **three** of the following are possible advantages to an individual of starting a business as a franchise rather than as a sole trader?

Select **three** answers:

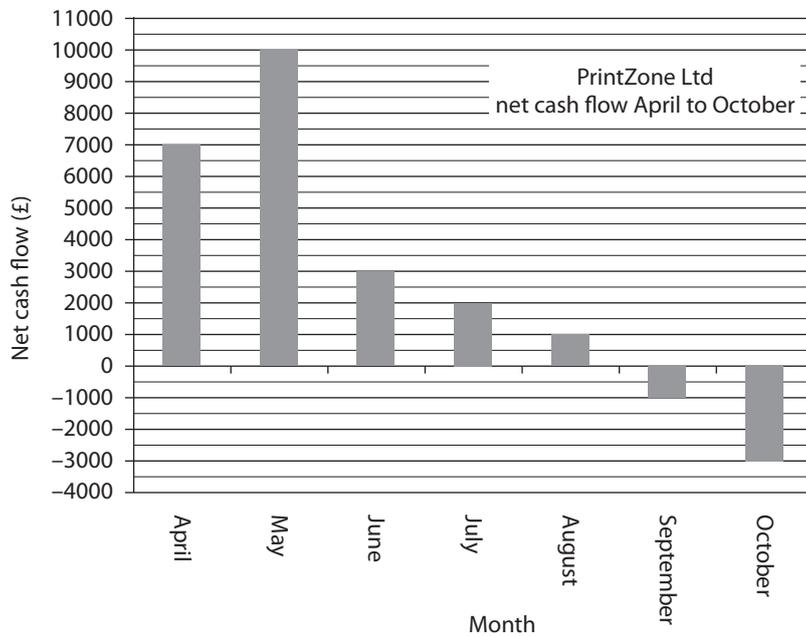
- A The franchisor pays the franchisee to set up the business
- B Franchises pay lower rates of Value Added Tax than sole traders
- C A franchise is likely to be an established business
- D The franchisee has complete freedom to make their own decisions
- E The franchisor provides continued help and support
- F The franchisee can benefit from national advertising of the franchise

(Total for Question 3 = 3 marks)



Questions 4–6 are based on the information below:

PrintZone Ltd is a small retail business specialising in supplying printers, ink and paper. The following chart shows cash flows for PrintZone Ltd for the period April to October.



4 Using the chart, calculate the net cash flow for April to October.

Select **one** answer:

- A -£3 000
- B £10 000
- C £19 000
- D £23 000

(Total for Question 4 = 1 mark)



5 Monthly sales at PrintZone remained unchanged from April to October.

Given this fact, which **two** of the following are possible reasons for the worsening in cash flow position of the business during this time?

Select **two** answers:

- A Increased spending on stocks of ink cartridges and printers by PrintZone
- B Change in the interest rate on PrintZone's bank loan from 5% to 4%
- C Monthly rent on PrintZone's premises changing from £700 to £650
- D More favourable trade credit terms provided by suppliers to PrintZone
- E PrintZone's monthly advertising costs changing from £800 to £1400

(Total for Question 5 = 2 marks)

6 Which **two** of the following are the most likely ways that PrintZone Ltd could improve its cash flow position?

Select **two** answers:

- A Use a mind map to improve financial planning
- B Carry out quantitative market research
- C Increase revenue by improving sales
- D Negotiate lower prices with suppliers
- E Employ two more full-time members of staff

(Total for Question 6 = 2 marks)



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Questions 7–10 are based on the information below:

Lisa Gallagher believes there is a growing market for gardening services as people do not have enough time to maintain their gardens. She has conducted some market research to find out if her business idea will work and has prepared the following summary of her findings.

Table 1

Would you consider hiring Lisa?	
	Number of responses
Yes	134
No	66

Table 2

What is the most important factor in the decision to choose a gardening service?	
	Number of responses as a percentage
Price of the service	12
Quality of the work	41
Advertisement in the local paper	16
Customer service	20
Whether the business is local	11

Table 3 shows details of the 200 households which indicated they were interested in using Lisa's business.

Type of household	Percentage
Single - no children	7
Single - with children	11
Single - pensioner	28
Couple - no children	9
Couple - with children	31
Couple - pensioner	14



Figure 1

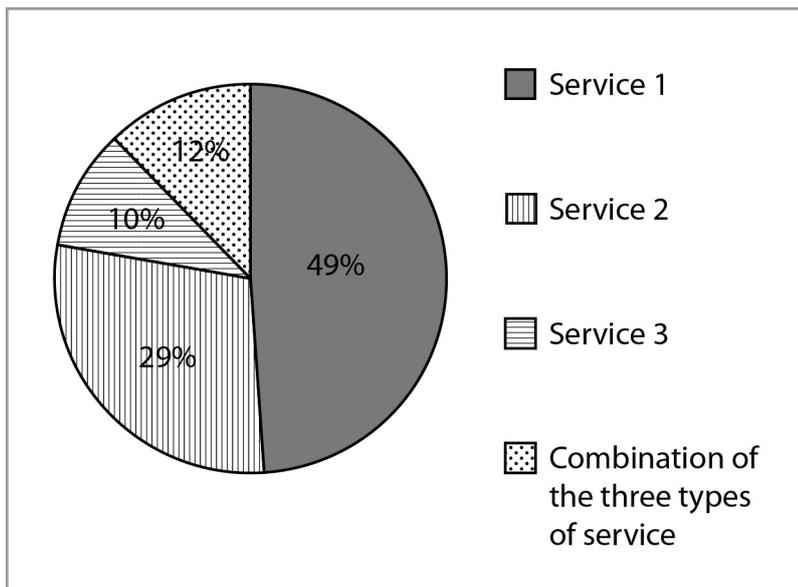
Lisa aims to provide three levels of service for local people:

Service 1 – cutting lawns and generally tidying garden areas

Service 2 – planting and maintaining new planted areas

Service 3 – garden redesign, including planning, preparation and all planting

The preferences of customers are shown in the chart (below)



7 Lisa used the questionnaire (see Table 1) to estimate the number of potential customers for her business. This approach is an example of which type of market research?

Select **one** answer:

- A Market mapping
- B Secondary
- C Qualitative
- D Primary

(Total for Question 7 = 1 mark)

8 According to Table 2, which element of the marketing mix should Lisa focus on in her business?

Select **one** answer:

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

(Total for Question 8 = 1 mark)

9 Study Table 3 and Figure 1. According to this information, what **three** conclusions can Lisa draw from the data?

Select **three** answers:

- A 100% more single pensioners than pensioner couples are interested in Lisa's business
- B Lisa should not offer Services 2 or 3 as there is no demand
- C Her main two market segments are couples with children and single pensioners
- D More than half of people prefer something other than Service 1
- E Couples with children are more likely to use Service 1
- F 30% more couples with children than single pensioners are interested in Lisa's business

(Total for Question 9 = 3 marks)



10 Which **two** of the following are strategies which Lisa might use to help her business achieve high levels of added value?

Select **two** answers:

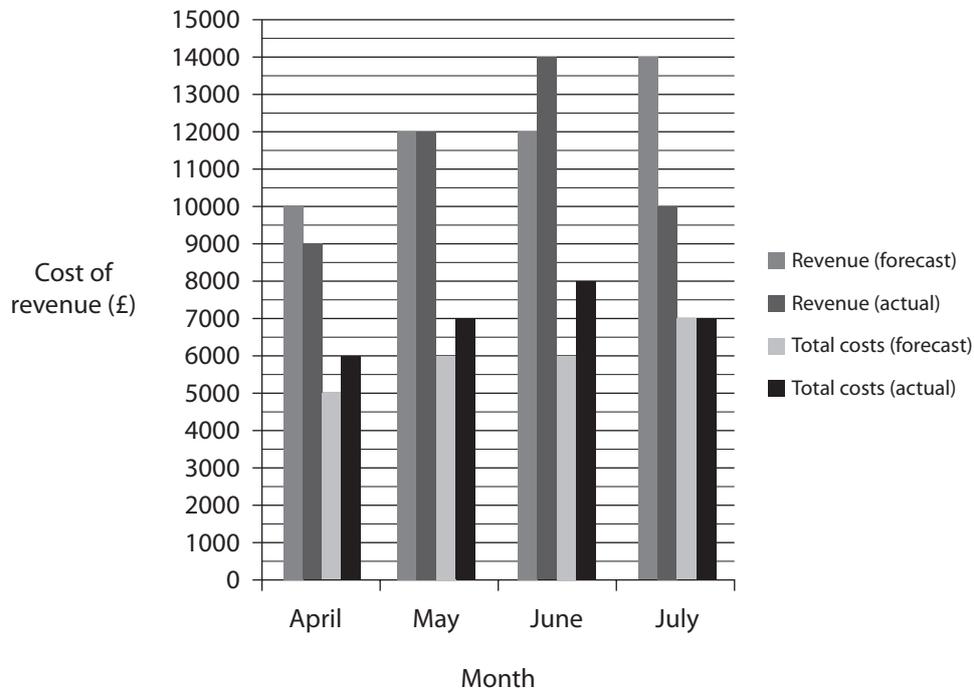
- A** Ensure a profit is made on every job completed
- B** Introduce a loyalty scheme to give regular customers price discounts
- C** Visit every customer 48 hours after work completed to take feedback
- D** Develop a strong brand awareness in the local area
- E** Compare the prices of Lisa's competitors every month

(Total for Question 10 = 2 marks)



Please read the passage below carefully and then answer questions 11 to 13 which all relate to the passage.

The chart below shows cost and revenue information for Timbles Ltd from April to July.



11 Identify **three** conclusions that can be drawn from the chart.

Select **three** answers:

- A Actual total costs increased by 40% between April and May
- B Actual profit was higher than forecast profit in May
- C Actual revenue fell by more than 10% between June and July
- D The fall in profit between June and July was most likely caused by a fall in sales
- E The forecast profit for the period April to July was £24 000
- F Revenue forecast for May was inaccurate

(Total for Question 11 = 3 marks)



12 Which of the following would best explain the lower revenue in July compared to the forecast figure?

Select **one** answer:

- A Improvement in the business cycle
- B An increase in interest rates
- C Less competition in the market
- D Increased promotion by Timbles

(Total for Question 12 = 1 mark)

Timbles decided to increase its prices by 10% but sales stayed the same.

13 Which **two** of the following are possible effects of the decision by Timbles to increase the price it charges for its product?

Select **two** answers:

- A Increased customer satisfaction
- B Increased total revenue
- C Higher fixed costs
- D Increased interest payments
- E Higher profit for every product sold

(Total for Question 13 = 2 marks)



Questions 14–15 are based on the information below:

A business has the following cost and revenue information during one month:

Costs:

- £10 000 - raw materials imported from the USA
- £ 7 000 - raw materials from the UK
- £11 000 - fixed costs

Revenue:

- £39 000

In this month the exchange rate between the pound and the dollar was $\text{£}1 = \$1.50$

14 What profit/loss does the business make in this month?

Select **one** answer:

- A** £11 000
- B** £28 000
- C** £29 000
- D** £67 000

(Total for Question 14 = 1 mark)

15 In the next month the business imports the same amount of raw materials from the USA. The exchange rate has changed to $\text{£}1 = \$1.60$.

Assuming all other data remains the same, what effect does this change have on the profit level?

Select **one** answer:

The profit level will:

- A** decrease by £1 350
- B** remain the same
- C** increase by £625
- D** increase by £1 600

(Total for Question 15 = 1 mark)



Questions 16–19 are based on the information below:

Martin Hudson runs Buckingham Ltd, a business which sells high quality office furniture to other businesses.

Martin needs to think creatively about how he can improve his business. He has used lateral thinking techniques to help him do this.

Successful entrepreneurs need to think creatively and make connections between ideas.

16 What is the diagram which can be used to record words and ideas connected to a central word or idea?

Select **one** answer:

- A** Spreadsheet
- B** Market map
- C** Scatter diagram
- D** Mindmap

(Total for Question 16 = 1 mark)

Changes in the business cycle can have important impacts on small businesses.

17 Identify **three** likely effects on a business like Buckingham of a downturn in the business cycle

Select **three** answers:

- A** Higher sales due to rising consumer incomes
- B** Lower fixed costs due to lower interest rates
- C** Less risk of the business becoming insolvent
- D** More difficult to recruit employees
- E** Lower demand due to business closures
- F** Lower prices on goods bought from suppliers

(Total for Question 17 = 3 marks)



18 Which **three** of the following are taxes which businesses like *Buckingham* may have to pay?

Select **three** answers:

- A National Insurance Contributions
- B Value Added Tax
- C Business Tax
- D Minimum Wage
- E Corporation Tax
- F Distribution Tax

(Total for Question 18 = 3 marks)

19 Which **two** of the following are likely to be the most effective methods that *Buckingham* might use to deliver high levels of customer satisfaction?

Select **two** answers

- A Securing repeat purchases by customers
- B Fulfilling customer orders accurately
- C Setting non-financial objectives
- D Introduce a 24-hour customer help-line
- E Advertise on local radio stations

(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	
The mix of products and type of service provided by a business	i
Weighing up the probability of profits or losses	ii
Evidence of what has happened in the past which can be kept in paper form or as computer files	iii
Treating workers differently due to factors such as age, gender, race or disability	iv
A person who owns and runs their own business and takes risks	v

Term	
A	Goods
B	Inventor
C	Discrimination
D	Market research
E	Business offering
F	Records
G	Entrepreneur
H	Calculated risk

(Total for Question 20 = 5 marks)

TOTAL FOR PAPER = 40 MARKS



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