

Write your name here

Surname

Other names

Centre Number

Candidate Number

**Edexcel GCE**

**Business Studies/Economics and Business  
Advanced Subsidiary  
Unit 1: Developing New Business Ideas**

Monday 16 May 2011 – Afternoon  
**Time: 1 hour 15 minutes**

Paper Reference  
**6BS01/01  
6EB01/01**

**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 in Section A and Section B.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*
- You may use a calculator.

### Information

- The total mark for this paper is 70.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*
- Quality of written communication will be taken into account in the marking of your response to Question 13 in Section B. This question is indicated with an asterisk \*  
– *you should take particular care on this question with your spelling, punctuation and grammar, as well as the clarity of expression.*

### 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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## SECTION A

Answer ALL the questions in this section.

Write the letter of your chosen answer in the box and then explain your choice in the space provided.

You should spend 30 minutes on this section. Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1 (a) Paul McQuillan is a self-employed electrician based in Barnsley, South Yorkshire. Most of his contracts involve rewiring houses. Paul's fixed costs are £400 per month, average variable costs per house are £500.

If Paul charges his customers £600 per house, how many contracts per month does Paul need to complete to break even?

(1)

A 2

B 3

C 4

D 5

Answer

- (b) Explain your answer (show your workings).

(3)

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



2 (a) In November 2009, it was reported by the BBC that the world population of 6.5 billion is expected grow to 9 billion by 2100 and, as a result, a shortage of world food supplies is expected.

Which of the following is a **direct** determinant of the supply of food?

(1)

- A Level of technology
- B Growth in consumer incomes
- C Advertising to consumers
- D Fashion, tastes and preferences

Answer

(b) Explain your answer.

(3)

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**(Total for Question 2 = 4 marks)**



3 (a) In December 2009, it was reported that Ferrero chocolates, imported from Italy, are available only in niche shops in India.

Which of the following is **not** true about niche markets?

(1)

- A Prices tend to be high
- B Supply tends to be low
- C The number of consumers tends to be low
- D Effective demand tends to be high

Answer

(b) Explain your answer.

(3)

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**(Total for Question 3 = 4 marks)**



4 (a) In November 2009, the unemployment rate in the district of Handsworth, Birmingham, reached 15% – its highest for over 10 years.

The **most likely** impact of high local unemployment on a small business would be (1)

- A rising variable costs
- B problems recruiting staff
- C a significant fall in sales of luxury products
- D an increase in profits if the firm imports products

Answer

(b) Explain your answer. (3)

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**(Total for Question 4 = 4 marks)**



5 (a) The opportunity cost of an entrepreneur setting up a business, such as a florist, is (1)

- A the tax on profit
- B lost earnings from employment
- C the risk of business failure
- D the cost of advertising to attract customers

Answer

(b) Explain your answer. (3)

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**(Total for Question 5 = 4 marks)**



6 (a) The price of petrol increased on average by 20% in the European Community in 2009.

Which of the following is a demand factor which would **most likely** lead to an increase in the price of petrol?

(1)

- A A decrease in the price of oil
- B A decrease in the price of cars
- C A decrease in promotional costs of petrol retailers
- D A reduction in government tax charged to oil companies

Answer

(b) Explain your answer.

(3)

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**(Total for Question 6 = 4 marks)**



7 (a) It has been reported that 'the growth of the Wagamama chain of noodle restaurants in central London has been phenomenal'. Growth centred around Wagamama's 'competitive advantage'.

Each of the following might provide Wagamama with a competitive advantage, **except** (1)

- A paying the national minimum wage to employees
- B customer orders are taken by waiters using hand-held PDAs (electronically)
- C all food is cooked fresh to order
- D the average stay of customers is relatively short

Answer

(b) Explain your answer. (3)

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**(Total for Question 7 = 4 marks)**





8 (a) In 1995, Laban Roomes prepared a business plan for his business, Gold Genie.

Each of the following statements about a business plan is true, **except**

(1)

- A it is a legal requirement for a new business
- B it helps to predict profits and liquidity
- C it can be modified once written
- D usually it includes sections on finance, staffing and marketing

Answer

(b) Explain your answer.

(3)

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**(Total for Question 8 = 4 marks)**

**TOTAL FOR SECTION A: 32 MARKS**



## SECTION B

Answer ALL questions in this section.

You are advised to spend 45 minutes on this section.

### Evidence A



### Complete Car Cosmetics 2009

Despite being told by his maths teacher in 1995 that he would probably leave school and become a road sweeper for Burnley Council, Peter Shackleton worked hard, developed an appetite for enterprise and set up his own business ten years later in June 2005.

Peter's passion for refurbishing cars developed as a result of his school work experience placement at the Audi Service Centre. The Manager of the Centre at the time, Chris Nelson, was so impressed with the schoolboy that he offered him a full-time apprenticeship – a position hard to get in those days. 5

Now, with over 14 years' industry experience, and training by the prestigious car manufacturers Audi and BMW, Peter Shackleton assures his customers of a 'brilliant finish'.

Peter's business slogan is '*Complete Car Cosmetics – the perfect choice to bring your car back to showroom condition*'. He offers a range of services, from dent removals to alloy wheel refurbishments, repairs to scratches, scuffs and scrapes to total car valeting (the intense cleaning of a car, inside and out including vacuuming and treatment of upholstery). Peter's prices are much lower than those charged by larger garages. 10

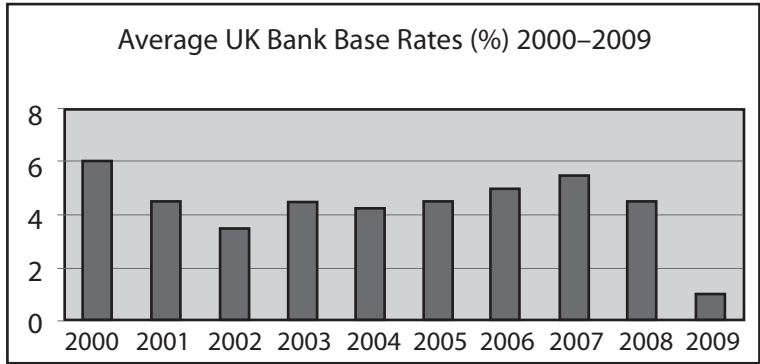
Complete Car Cosmetics also has a unique selling point – a mobile workshop which is fully equipped to carry out the repairs at a customer's chosen location, which removes any inconvenience to customers. 15

Despite the pressures felt by most UK businesses caused by the current recession, Peter's enterprise is thriving. He comments, 'I provide a professional service that is second to none and leave a trail of very satisfied customers in my wake... Customer loyalty is absolutely vital in this game as well as me having a certain resilience'. 20

It is onwards and upwards for Peter in 2010; given a growth in orders, he is looking to expand his business further by taking on two employees in the new year. As part of this expansion he is also thinking about Complete Car Cosmetics becoming a private limited company. 25



**Evidence B**



**Evidence C: Sales Turnover for Complete Car Cosmetics 2005–2009 (£)**

Year	2005**	2006	2007	2008	2009
Turnover	22 000	48 000	56 400	68 200	78 400

\*\*for 6 months only

**9** Refer to Evidence A and Evidence B.

Explain **two** ways changes in interest rates might affect Peter’s business.

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**(Total for Question 9 = 6 marks)**

**10** Analyse **one** reason why Peter's resilience might be important to the long-term success of Complete Car Cosmetics.

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**(Total for Question 10 = 4 marks)**

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11 Discuss the likely value of Peter conducting product trials when he first set up his business.

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**(Total for Question 11 = 8 marks)**

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**\*13** Recommend whether or not it would have been appropriate for Complete Car Cosmetics to have become a private limited company in 2010.

(12)

A series of horizontal dotted lines for writing the answer.



(Total for Question 13 = 12 marks)

**TOTAL FOR SECTION B: 38 MARKS**  
**TOTAL FOR PAPER: 70 MARKS**

