

Write your name here

Surname

Other names

Pearson Edexcel
International
Advanced Level

Centre Number

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Candidate Number

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Business Studies

International Advanced Subsidiary
Unit 1: Business Enterprise

Monday 19 May – Afternoon
Time: 1 hour 30 minutes

Paper Reference

WBS01/01

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.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- In your responses, you should take particular care with punctuation and grammar, as well as the clarity of your expression.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- 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 Hannah Craig started and owns *I am an Eskimo*, a small e-business that sells 100% cotton T-shirts.

(a) Which **one** of the following is **most likely** to be the structure of Hannah's business?

(1)

- A** Partnership
- B** Co-operative
- C** Sole trader
- D** Public limited company

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 1 = 4 marks)



2 *The Coca-Cola Company* produces Coca-Cola using a closely guarded secret recipe.

(a) This is likely to give *The Coca-Cola Company* a

(1)

- A competitive advantage
- B market orientation
- C market map
- D test market

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 2 = 4 marks)



3 Angela Dawson owns and runs *The Admin Doctor*. She needs a new photocopier costing £10 000.

(a) Which **one** of the following would be the most appropriate source of finance?

(1)

- A** Overdraft
- B** Leasing
- C** Debenture
- D** Trade credit

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 3 = 4 marks)



4 In February 2013, *Tesco Group*, a multinational retailer, reported the following annual results.

	£m	£m
Revenue	64 826	
Cost of sales	60 737	
Gross profit		4 089
Other operating expenses	546	

(a) What was the profit for the year margin?

(1)

- A 5.47%
- B £3 543m
- C 6.31%
- D £64 280m

Answer

(b) Explain why this answer is correct. (Show your working)

(3)

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(Total for Question 4 = 4 marks)



5 The number of people aged under 35 in India is increasing. *Mothercare plc*, a retailer of products for babies and children, is opening new stores in India.

(a) Which **one** of the following factors is **most likely** to have influenced this decision?

(1)

- A E-commerce
- B Demographic
- C Ethical
- D Environmental

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 5 = 4 marks)



6 Corporation tax is paid by businesses on their earnings at a level set by the government.

(a) An increase in corporation tax will initially result in a reduction in

(1)

- A** price
- B** variable costs
- C** fixed costs
- D** retained profit

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 6 = 4 marks)

TOTAL FOR SECTION A = 24 MARKS



SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence A Reinventing Invention: *Quirky* Lets You Be a Modern-Day Edison

Ever had a great idea but not known where to start to bring it to reality? Ben Kaufman experienced this as a teenager in 2005, when he invented Mophie an iPhone accessory. To bring Mophie to the market, Ben's parents remortgaged their house, but he soon discovered there were more problems to overcome, including manufacturing, supply chain and retailing.



5

10

"I realised that the products on retail shelves aren't the *best* ideas in the world, they're just the ideas of people who have access to those shelves," says Ben. "I wanted to start a company that had a mission statement of making invention more accessible." In 2009 Ben founded *Quirky*.

15

The entire *Quirky* process is extremely collaborative with an online community of 373,000 people. People submit ideas for products online. Every Thursday, the *Quirky* team evaluates the top 15 products of the week as voted for by the community. They then pick 3–5 to develop. *Quirky's* product designers and industrial engineers go to work, and then the community members give feedback. If their feedback is accepted, they become 'influencers', which can earn them money when the developed products are sold.

20

Since 2009 *Quirky* has grown and employs 110 people and has sent 313 products to market. It works with 188 retail partners and uses suppliers from around the world. *Quirky* has access to more than \$90m of venture capital. In 2012, revenues were around \$20m.

25

There are two things Ben looks for in ideas for new products. They have to be magical or solve a problem. The best products do both.

30

"One thing that we had a while back is a rubber band with a hook called the Bandit. It is ridiculous but it doesn't matter that I think it is ridiculous, and it is the perfect example of why *Quirky* exists. In a normal product company there would be a guy like me who says, 'That's terrible, we're not making that,' but there's a market for it. The Bandit is one of our top-selling products"

35



Evidence B Some of the best-selling *Quirky* inventions



The Bandit (above) – rubber bands with hooks, simple and useful, one of *Quirky*'s best sellers.



Quirky's most popular product to date is the Pivot Power strip, invented by student Jake Zien and a team of 708 influencers. It has made Jake and *Quirky* hundreds of thousands of dollars.

(Source adapted from: <http://mashable.com/2013/03/19/Quirky-ben-kaufman/>)



7 Explain **two** entrepreneurial characteristics displayed by Ben Kaufman. (Evidence A)

Dotted lines for writing the answer to Question 7.

(Total for Question 7 = 6 marks)



Quirky has access to more than \$90m of venture capital.

(b) Explain why venture capital is an appropriate source of finance for Quirky.

(6)

Dotted lines for writing the answer.

(Total for Question 8 = 12 marks)



9 *Quirky* has calculated that it needs to sell 40,000 packs of Bandits at a price of \$10 per pack in order to break even. Fixed costs are \$80 000.

(a) Calculate the variable cost per pack of Bandits at this break-even level of output.

(4)

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Quirky regularly introduces many new products to the market.

(b) Assess the suitability of cost-plus pricing for *Quirky's* new products.

(8)

Area with horizontal dotted lines for writing the answer.

(Total for Question 9 = 12 marks)



10 Two non-price supply factors are changes in costs and technological change.

Assess the impact of these factors on the continued success of *Quirky*.

Dotted lines for writing.



(Total for Question 10 = 12 marks)



11 Assess the extent to which *Quirky* is a product orientated business.

Dotted lines for writing.



(Total for Question 11 = 14 marks)

TOTAL FOR SECTION B = 56 MARKS

TOTAL FOR PAPER = 80 MARKS



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