

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**

Thursday 19 May 2016 – 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.*
- You should take care in your responses with your punctuation and grammar, as well as the clarity of 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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**PEARSON**

**SECTION A**

**Answer ALL 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** Online bank *First Direct* carries out market research to improve its products and customer services.

(a) Which of the following is an example of primary research for *First Direct*?

(1)

- A** Government statistics
- B** Focus groups
- C** Company reports
- D** Market intelligence reports

Answer

(b) Explain why this answer is correct.

(3)

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

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2 In 2012, *Apple* took 69% of worldwide mobile phone profits with only an 8% market share.

(a) Which **one** of the following is the **most likely** pricing strategy used by *Apple* that contributed to this level of profit?

(1)

- A Predatory pricing
- B Penetration pricing
- C Competitive pricing
- D Premium pricing

Answer

(b) Explain why this answer is correct.

(3)

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



3 In 2013 cereal manufacturer *Kellogg's* spent £6m on TV advertising. As a result, sales rose by 10%, with a sales value of £88m.

(a) This strategy could **best** be described as an example of: (1)

- A niche marketing
- B mass marketing
- C market mapping
- D test marketing

Answer

(b) Explain why this answer is correct. (3)

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(Total for Question 3 = 4 marks)



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4 Sarah and Steve Bennett, co-founders of *Jewellery Maker*, prepare monthly cash flow forecasts.

**July 2016 Cash Flow**

<b>Cash Inflow</b>	<b>£m</b>	<b>Cash Outflow</b>	<b>£m</b>
Cash sales	2.3	Wages	0.6
Payments from debtors	0.6	Raw materials	1.1
		Rent	0.7
<b>Total</b>	<u><b>2.9</b></u>	<b>Total</b>	<u><b>2.4</b></u>

(a) What would the cash flow be for July 2016 if raw material costs increase by 10%? (1)

- A £0.11m
- B £0.39m
- C £0.50m
- D £0.61m

Answer

(b) Explain why this answer is correct. (Show your working.) (3)

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



5 In July 2014 the annual rate of inflation in India had risen to 7.96%.

(a) Which **one** of the following is the **most likely** effect of a rise in inflation on Indian manufacturers such as *Tata Steel*?

(1)

- A Exports increase
- B Costs of supplies decrease
- C Employees demand wage increases
- D Investment in new technology increases

Answer

(b) Explain why this answer is correct.

(3)

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



6 Palm oil is a substitute for cocoa butter. In September 2014 demand for palm oil increased.

(a) Which **one** of the following is the **most likely** explanation for this increase in demand for palm oil? (1)

- A Decrease in the supply of cocoa butter
- B Decrease in the price of cocoa butter
- C Decrease in the supply of palm oil
- D Decrease in the subsidies for palm oil

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: World Young Entrepreneur of the Year – Ashish J Thakkar



Source: © 2015 Ventures Africa

In December 2013, the World Entrepreneurship Forum named the world's best young entrepreneur. He is quoted as saying "It is a real honour to be part of such an inspiring community of outstanding leaders committed to jointly shaping a better future for the world. People are realising that we, in Africa, can have best global practices. We, as Africa, are being recognised, which is brilliant."

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Ashish started his first business, *Mara IT*, at 15 years old, selling computers to school friends. He told his parents he wanted to leave school and build a business. With a \$5 000 loan from his family and a warning from his father that "if it doesn't work out within a year you will go back to school", Ashish launched his *Mara IT* business in 1996. He flew to Dubai most weekends to buy motherboards and hard drives that he would sell on to customers in Africa.

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(Source: adapted from <http://www.forbes.com/sites/mfonobongnsehe/2013/11/12/african-millionaire-is-named-worlds-young-entrepreneur-of-the-year/>  
<http://enterprise54.com/ashish-thakkars-mara-mentor-launches-in-ghana/>)

### Evidence B: *Mara Group*

Under Ashish's leadership, *Mara* grew into a large conglomerate with approximately \$200m in revenues. *Mara* has interests in everything from tourism and property development to agriculture, information and communications technology, renewable energy and manufacturing.

The group's operations span four continents, including Asia; 22 African countries including Kenya, Uganda, Nigeria and Rwanda, and employs more than 10,000 people. Ashish did not inherit anything – he built the business himself.

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When asked how he achieved so much, so young, Ashish had this to say, "... I believe a strong sense of perseverance, always thinking big and aiming high, and of course positivity, has allowed me to realise my vision".

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The first decade of running his group of enterprises was not easy. Ashish says that "each business was dependent on the success of the others and that's how we grew. I really took a risk to fund it."

"I just borrowed everything I could, each loan had to be secured against an existing business." Ashish states that he risked everything he had in the business twice in 10 years. At one point he took a loan from a moneylender in Kampala at an interest rate of 36%.

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After years of rapid expansion, the company is becoming more professional in its structure. The family partnership remains in firm control and there are no plans to





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become a limited company. Ashish remains at the top as the 'founder', with his father as the Chairman.

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*Mara Group* does not publish its accounts but Ashish's success in Eastern Africa has made him the 'go-to' man for investors willing to take on the risks of the region.

(Source: adapted from <http://www.forbes.com/sites/mfonobongnsehe/2012/06/18/young-successful-and-african-ashish-thakkar-ceo-of-mara-group/>)

**Evidence C: Atlas Mara**

Ashish's new venture is to set up the *Atlas Mara* finance group with Bob Diamond, former Chief Executive of *Barclays Bank*. *Atlas Mara* was listed on the London Stock Exchange in December 2013 and its first round of share issues raised \$325m of finance.

In March 2014 *Atlas Mara* announced its first deal. It paid \$265m in cash and shares to buy *BancABC*, a medium sized bank. It operates in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe. It has just signed another deal to acquire a bank in Rwanda. All will offer retail, commercial and investment financial services.

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(Source: adapted from <http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/10612151/Bob-Diamond-reveals-banking-plan-for-Africa.html> (© Telegraph 2015))

**Evidence D: Opportunities in Africa**



(Source: <http://atlasmara.com/>)



7 Explain **two** entrepreneurial characteristics that Ashish has demonstrated in making *Mara Group* successful.

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**(Total for Question 7 = 6 marks)**

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8 In *Mara Group*, the “family partnership remains firmly in control and there are no plans to become a limited company.” (Evidence B Lines 19–20).

(a) Explain **two** advantages for *Mara Group* of remaining a partnership.

(6)

Area with horizontal dotted lines for writing the answer.



(b) Analyse the impact the digital economy could have on *Atlas Mara*.

(6)

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**(Total for Question 8 = 12 marks)**

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9 *Mara Group* is making “approximately \$200m per year in revenues” (Evidence B Line 1 and 2). It is thought that *Mara Group* made \$60m gross profit last year.

(a) Using these figures, calculate *Mara Group’s* gross profit margin.  
(Show your working).

(4)

Dotted lines for working out the answer.



(b) Assess the benefits for Ashish of using secured loans to finance the *Mara Group* (Evidence B).

(8)

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**(Total for Question 9 = 12 marks)**

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10 Assess the usefulness of market research to *Atlas Mara* as it expands its banking services in the African market (Evidence C and Evidence D).

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(Total for Question 10 = 12 marks)





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11 Evaluate the likely impact of exchange rates and inflation on *Mara Group*.

(14)

Exchange rates

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Inflation

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**(Total for Question 11 = 14 marks)**

**TOTAL FOR SECTION B = 56 MARKS**  
**TOTAL FOR PAPER = 80 MARKS**



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