

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 10 January 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 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 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) The chocolate confectionery market in the United Kingdom (UK) is highly segmented.

In a segmented market there will **always** be

(1)

- A** many rival producers and fierce competition
- B** small differences in sales levels between regions
- C** higher sales revenues from younger consumers
- D** distinct types of products to meet varied preferences of consumer types

Answer

- (b) Explain your answer.

(3)

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(Total for Question 1 = 4 marks)



2 (a) In the financial year 2008–2009, Liverpool Football Club announced a rise in operating profits to £8.5 million.

This information **necessarily** means that Liverpool FC's

(1)

- A total revenues must have risen substantially in 2008–2009
- B operating costs must have fallen substantially during 2008–2009
- C surplus of revenue over costs increased in 2008–2009
- D prices rose substantially in 2008–2009

Answer

(b) Explain your answer.

(3)

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(Total for Question 2 = 4 marks)



3 (a) The value of the £ (pound sterling) fell against the euro in late 2008 and 2009.

This change would have **most likely** benefited British

(1)

- A tourists holidaying in France and Spain
- B exporters who sold their products in countries using the euro
- C consumers, because overall the inflation rate fell as a result
- D importers, because they were able to improve their profit margins

Answer

(b) Explain your answer.

(3)

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(Total for Question 3 = 4 marks)



4 (a) Sebastian Bertollini, the owner of a new clothing manufacturing company based in the town of Biella in Italy, chose to lease a machine rather than buy it.

As a result of this decision, Sebastian will benefit from

(1)

- A more sales revenue
- B lower start-up costs
- C lower labour costs
- D better quality output

Answer

(b) Explain your answer.

(3)

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(Total for Question 4 = 4 marks)



5 (a) In 2004, Paul Lindley set up a children’s healthy drinks and snacks company known as Ella’s Kitchen. Paul spent the first 18 months developing and positioning his product.

Which **one** of the following would Paul have been **most likely** to use when positioning Ella’s Kitchen products?

(1)

- A Transport cost information
- B Cash-flow forecasting
- C A knowledge of competitors’ products
- D Business development grants from the local council

Answer

(b) Explain your answer.

(3)

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(Total for Question 5 = 4 marks)



6 (a) The Consumers' Association makes extensive use of sampling.

Which **one** of the following statements about sampling is **incorrect**?

(1)

- A Samples that are too large may waste time
- B Samples that are too small may lead to inaccurate results
- C Sample methods are determined by the researcher
- D Sample sizes always increase with the size of the population

Answer

(b) Explain your answer.

(3)

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(Total for Question 6 = 4 marks)



7 (a) Sandwell Sheds Ltd has fixed costs of £1000 per month and it sells sheds at an average price of £200. Average variable costs per shed are £160.

What is Sandwell Sheds Ltd's break-even level of output per month?

(1)

- A 25 sheds
- B 50 sheds
- C 250 sheds
- D 800 sheds

Answer

(b) Explain your answer.

(3)

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(Total for Question 7 = 4 marks)



8 (a) Prices in the computer games console market are affected by both supply and demand factors.

An increase in which **one** of the following is **most likely** to lead to a **decrease** in the price of computer games consoles?

(1)

- A The salaries of console designers
- B The rate of sales tax
- C The supply of components for manufacturing consoles
- D Promotional costs of computer games console retailers

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 of the questions in this section.

You are advised to spend 45 minutes on this section.

Evidence A

Ready for Rieve

Marie Johnson worked for commercial banks for 26 years. The intense work pressures at HSBC, brought about by the credit crunch of autumn 2008, convinced her to leave and set up her own retail business. Inspired by frequent chats with her son-in-law Lee Carpenter, a footwear buyer for Clarke's Shoes, Marie established Rieve Footwear Ltd in February 2009. The Federation of Small Businesses provides Marie with support, including local market intelligence, for a small fee of £120 per year. 5

Located in Lichfield, a thriving town in South Staffordshire, Rieve serves a niche footwear market with quality brands such as Replay, Ravel and Converse. These shoes sell at an average price of £60–£80 a pair – double the market average. The shop premises are located in an historic row of small independent retailers, including a beautician, contemporary art shop and organic product café. Marie operates late opening times of 11am–7pm, Tuesday to Friday, to meet the demands of the company's busy, higher income customers, mainly career women, typically aged 30–50 years old. 10

Rieve's start-up costs were £60,000, money which Marie did not have in savings. Armed with a business plan Marie approached her former employers, HSBC for a small business loan. Knowing Marie's abilities to sell and her attention to detail, her former manager, Jean McWilliams, was happy to support Marie's application for a £50,000 loan. 15

Jean's judgement has since been proven correct. By August 2009 Rieve enjoyed an average sales revenue of between £3000 and £4000 per week, with an average gross profit margin of 100%. Due to the unexpectedly high volume of trade, Marie has had to employ her husband Brian to support with administration and transport. Furthermore, Marie is already considering setting up a second shop in the historic Lanes area of the seaside resort of Brighton. 20



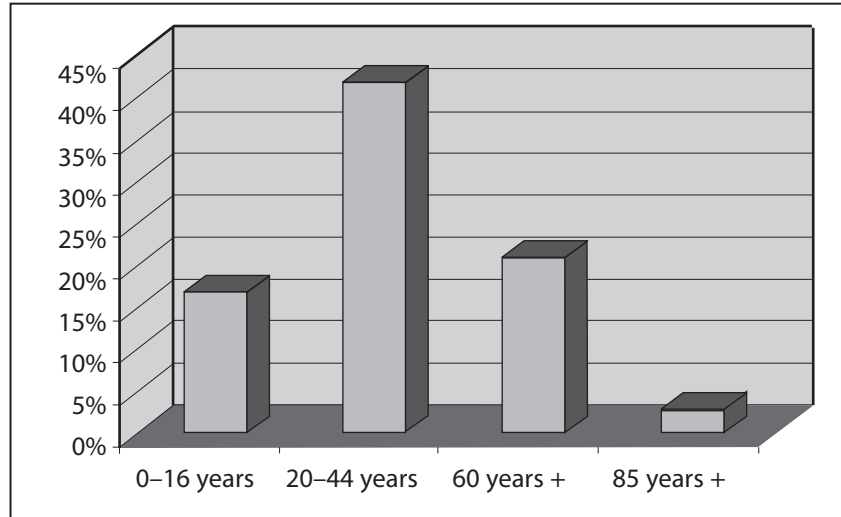
Evidence B

Socio-economic data for Brighton, August 2009.

Unemployment 4% (UK 6%)

House Price average £234,000 (UK £183,000)

Brighton Population
Selected Age Profile
Sample Size 250,000



9 Explain how Marie could have made effective use of **both** primary and secondary market research methods to support her business start-up.

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(Total for Question 9 = 6 marks)



10 Explain the relationship between Rieve's sales revenue and its gross profit margin on footwear.

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(Total for Question 10 = 4 marks)



11 Marie could have approached members of her own family for the £50,000 start-up capital, but chose not to do so. Evaluate Marie's decision.

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(Total for Question 11 = 8 marks)



12 Assess the likely impact of the following **two** factors on the supply of shoes in the UK:

(a) changes in technology

(4)

(b) actions of the UK government.

(4)

(Total for Question 12 = 8 marks)



***13** Evaluate the case for Marie setting up a new shop in Brighton.

(12)

Handwriting practice area consisting of 25 horizontal dotted lines.



(Total for Question 13 = 12 marks)

TOTAL FOR SECTION B: 38 MARKS

TOTAL FOR PAPER: 70 MARKS

