

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

Wednesday 9 January 2013 – 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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PEARSON

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) Sussex Skaters, a niche manufacturer of skateboards in Brighton, generated the following financial accounts in 2012.

	£
Fixed costs	12 500
Total revenue	250 000
Contribution per unit	50
Variable costs	50 000

Calculate the break-even level of output for Sussex Skaters in 2012.

(1)

- A 200
- B 250
- C 1 000
- D 5 000

Answer

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

(3)

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(Total for Question 1 = 4 marks)



- 2 (a) Andy Walker, General Manager at Virgin Active Ltd health club in Derby, organises monthly 'Coffee and Chat' meetings with his staff to discuss and agree new ideas with him.

Which **one** of the following leadership styles does Andy seem to be using in this case?

(1)

- A Democratic
- B Theory X
- C Paternalistic
- D Autocratic

Answer

- (b) Explain your answer.

(3)

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(Total for Question 2 = 4 marks)



3 (a) Which group of stakeholders of Virgin Active Ltd, Derby, is **most likely** to be negatively affected by an extension to the club's opening hours?

(1)

- A Suppliers of shampoo
- B Members who live 10 miles away
- C Shareholders
- D Staff

Answer

(b) Explain your answer.

(3)

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(Total for Question 3 = 4 marks)



4 (a) Richard Beddard and Stuart Woodhouse own and operate a healthcare partnership offering alternative medical treatment in the West Midlands. The partners choose **not** to maximise profits.

This is **most likely** because Richard and Stuart

(1)

- A prefer to run a business which is unprofitable
- B run a business which is unethical
- C have many competitors
- D put other objectives before profit

Answer

(b) Explain your answer.

(3)

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(Total for Question 4 = 4 marks)



5 (a) Business Link offers owners of new, small businesses practical advice on its website.

Business Link states each of the following about cost-plus pricing, **except**

(1)

- A it guarantees that a profit is made
- B it is usually expressed as a percentage of the cost which is added to the cost
- C it can ignore the image of a business and its market position
- D it can sometimes ignore hidden costs

Answer

(b) Explain your answer.

(3)

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(Total for Question 5 = 4 marks)



6 (a) Before he established Moonpig.com in 2008, Nick Jenkins made use of market mapping.

Market mapping can help entrepreneurs like Nick to

(1)

- A** determine the competitive advantage of their products or services
- B** understand how they can add value
- C** identify a potential market niche
- D** achieve all of the above

Answer

(b) Explain your answer.

(3)

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(Total for Question 6 = 4 marks)



7 (a) Jim and Jean Richards are proprietors of a small, established, independent grocery store in Cornwall. They are planning to expand their stock levels.

Which **one** of the following would be the **most suitable** method of finance for the activity above?

(1)

- A Debentures
- B Issue of share capital
- C Trade credit
- D Commercial bank loan

Answer

(b) Explain your answer.

(3)

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(Total for Question 7 = 4 marks)



8 (a) Phiroz and Sabiha are directors of an ice cream manufacturing company, Sweet Heart Ice Cream Ltd. The company operates in a niche market, supplying non-dairy ice cream to Asian restaurants in the Birmingham region.

Which **one** of the following would be **least likely** to be used by Phiroz and Sabiha given the company's current market position?

(1)

- A Methods of adding value
- B Television advertising
- C Qualitative market research
- D An ethical stance

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 the questions in this section.

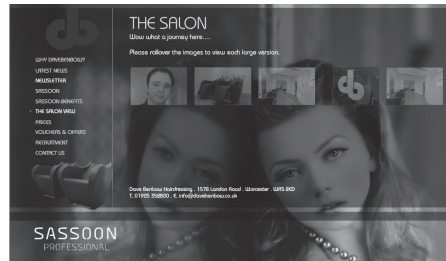
You are advised to spend 45 minutes on this section.

Evidence A

David's Choice: Chapman's or Chic?

On 1 March 2011 David Benbow celebrated his 40th birthday and an annual turnover of £150,000 for the first time in 19 years of self-employment.

On leaving school in 1987, David started work as a technician in Chapman's Opticians, for what was then a high wage of £300 a week. Before long David realised that this job failed to match his passion for creativity. A year later he started work as a junior stylist in Raymond's hair salon, Birmingham. Given his commitment to working long hours and a flair for style, David was swiftly promoted, becoming a senior stylist at Raymond's in 1990. By the summer of 1992 David decided it was time to be self-employed.



Rather than rent his own premises and pay high start-up costs, David rented a chair* in a Stourbridge salon. This gave David the opportunity to learn more about the financial aspects of hairdressing, as he became more familiar with costs and the factors which affect sales income. In March 2005, once he had sufficient savings, David opened up his own hair salon in the city of Worcester.

David had not prepared a business plan for a bank because he was confident that he had accumulated enough money – over £30,000 in savings. This paid for the £4,000 legal and professional fees, £8,000 advance rent and the £18,000 for equipment and initial stock. Marketing costs were negligible because David had developed a strong customer base and reputation in Stourbridge, so clients simply followed him to nearby Worcester. David had also taken advantage of professional development opportunities over the years by paying for courses to update his skills. He did this through formal training with the internationally respected Sassoon Academy in London; David is now one of their partner trainers.

Today David Benbow Hair looks prestigious. Salon prices are by no means as cheap as the £7 charged by a local barber for a dry cut. In this industry David believes “quality counts”, by which he does not simply mean hair treatment. The salon has recently undergone a high specification refit which cost in excess of £40,000, including Italian handmade leather sofas for waiting clients, Shiatsu massage chairs, Italian porcelain sinks, solid oak flooring and LED lighting. David feels his clients are worth every penny. No wonder the salon has featured in Elle fashion magazine.

*Chair = paying the owner a rental fee for the use of part of the salon.

Extract from 2011 Price List

<u>Colour treatment</u>	<u>Cut and care treatment</u>	<u>Children's treatment</u>
High/lowlights – £90–£105	New style – £30–£42	£8–£14
Colour – full head – £42–£47	Wet cut – £25–£31	10% off for students and pensioners
Bleach – full head – £30–£35	Dry cut – £14–£18	



10 Explain how the concept of opportunity cost applies to David.

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(Total for Question 10 = 4 marks)



12 Assess **two** ways David's salon might achieve competitive advantage.

[This area contains 25 horizontal dotted lines for writing the answer.]

(Total for Question 12 = 8 marks)



David is considering opening a new salon in London.

***13** Evaluate the likely value of each of the following to David before making his decision:

(a) primary market research

(6)

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(b) a business plan.

(6)

Area with horizontal dotted lines for writing.

(Total for Question 13 = 12 marks)

TOTAL FOR SECTION B = 38 MARKS
TOTAL FOR PAPER = 70 MARKS

