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Edexcel GCE

Centre Number

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Candidate Number

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Business Studies/Economics and Business

Advanced Subsidiary

Unit 1: Developing New Business Ideas

Thursday 18 May 2017 – 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.*
- Questions labelled with an **asterisk** (*) are ones where the quality of your written communication will be assessed – *you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.*

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 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 Award-winning entrepreneurs Holly Tucker and Sophie Cornish founded *notonthehighstreet.com*. The business started in 2006 in their kitchen.

(a) Which **one** of the following may be described as an entrepreneurial characteristic? (1)

- A** Resilience
- B** Works independently
- C** Social purpose
- D** Able to work from home

Answer

(b) Explain your answer. (3)

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(Total for Question 1 = 4 marks)

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2 The first ever *Lego* toy figure in a wheelchair was launched at the Nuremberg and London toy fairs in January 2016. *Lego* decided to manufacture the toy in response to a letter signed by over 20,000 customers.

(a) This is **best** described as an example of (1)

- A a margin of safety
- B market orientation
- C a product trial
- D adding value

Answer

(b) Explain your answer. (3)

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(Total for Question 2 = 4 marks)



3 *Ratchet Clothing Ltd* designs and makes urban streetwear for young people.

In October 2013, it posted operating profits of £123 000. In October 2014, operating profits had increased to £392 000. Sales revenue in October 2013 was £615 000; by October 2014, sales revenue increased to £1 960 000.

(a) Which **one** of the following is correct? (1)

- A Contribution increased by £1 345 000
- B Gross profit was £1 568 000
- C Operating profit margins remained the same
- D *Ratchet Clothing Ltd's* prices increased

Answer

(b) Explain your answer (show your workings). (3)

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(Total for Question 3 = 4 marks)



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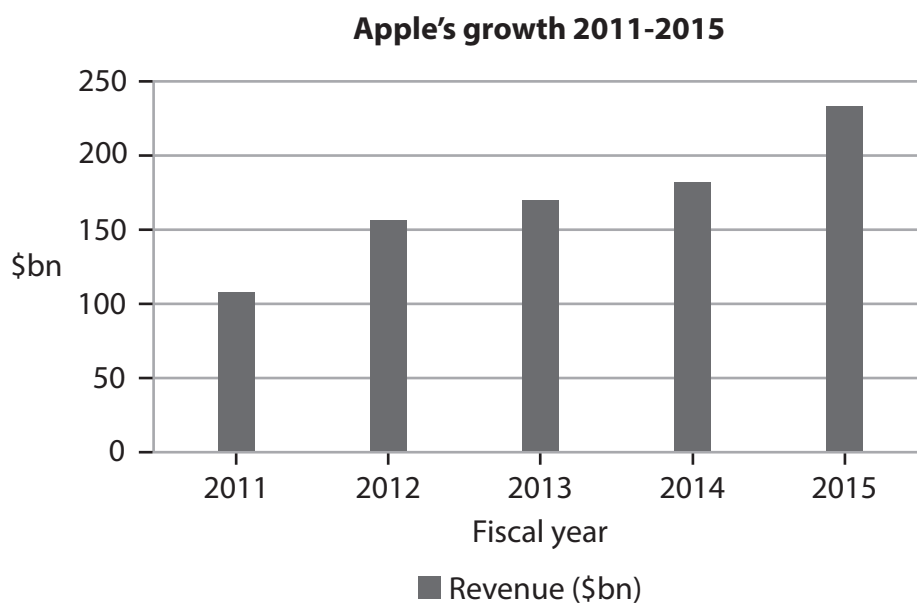
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QUESTION 4 BEGINS ON THE NEXT PAGE.



- 4 In January 2016 Tim Cook, *Apple's* Chief Executive, announced record profits of \$53.4bn and record sales revenue of \$234bn.



(Source: <http://www.telegraph.co.uk/technology/apple/11959016/Apple-reports-biggest-annual-profit-in-history.html>)

- (a) The growth in *Apple's* sales revenue, as shown in the chart above, could be explained by an increase in each of the following, **except**

(1)

- A repeat purchases
- B contribution
- C market size
- D prices

Answer



(b) Explain your answer.

(3)

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(Total for Question 4 = 4 marks)



5 In October 2014, *HSBC* launched its online Business Plan Tool to support owners of small businesses with their applications for a bank loan.

(a) A business plan can also usually support

(1)

- A limited liability
- B margin of safety
- C trade credit
- D market segmentation

Answer

(b) Explain your answer.

(3)

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(Total for Question 5 = 4 marks)



6 In the autumn of 2015, *Disney* created a massive demand amongst children across the world for Star Wars merchandise. This led to there being a great interest in, and demand for, the movie when it was released just before Christmas 2015.

(a) The above is **best** described as an example of the non-price demand factor (1)

- A complements
- B income
- C availability of substitutes
- D improvements in technology

Answer

(b) Explain your answer. (3)

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(Total for Question 6 = 4 marks)



7 In 2009 the exchange rate for £ sterling averaged 8 Danish Krone.

In January 2016, the £ sterling was worth 10 Danish Krone.

(a) This could have led to

(1)

- A an increase in the demand for UK chocolate bars exported to Denmark
- B an increase in the number of Danish people visiting the UK
- C a fall in the volume of exports of dairy products from Denmark to the UK
- D an increase in the number of UK tourists visiting Denmark

Answer

(b) Explain your answer.

(3)

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(Total for Question 7 = 4 marks)



8 In November 2015, the UK inflation rate was 1.1%.

(a) Lower inflation rates are **most likely** to cause a UK business to have an increase in (1)

- A uncertainty
- B demand for exports
- C interest rates
- D import costs

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

Arrive 'n' Shine 2016

Dean Moore left school at the age of 16 to work for his father, Ted. Ted owned *Rams Ltd*, a business that rinsed and cleaned empty refuse bins for residents across the city of Derby. Ted knew that his son had the right attitude to do well 'working with his hands' rather than studying. Dean was a well-liked, friendly individual for whom nothing was too much trouble.

5

After passing his driving test just a few days after his 17th birthday in January 2008, Dean decided to increase his income by being employed as a window cleaner for *Sparkle*, a well-established company in Derby. However, employment gave him some problems. Dean would often work a 12-hour day, five days a week cleaning windows; he was expected to clean the windows in the traditional way – using dangerous aluminium ladders up to seven metres in length, sometimes contravening the Health and Safety Executive 2005 Working At Height Regulations.

10

Dean eventually began to lose interest in working for *Sparkle*. As a father himself he decided he wanted to be safer, have more flexibility and purpose to his life. So in January 2014 he used his savings of £5 000 to set up his own window cleaning business – *Arrive 'n' Shine*.

15

Dean uses deionised water-fed poles that are supplied from a 350 litre tank in his van. This system is safer as Dean does not need to use ladders and windows are cleaner because the thin film of salts that you get from dried tap water is not there.

Largely thanks to word-of-mouth advertising, *Arrive 'n' Shine* now has over 300 properties on its books, covering a 15-mile radius around Derby, including commercial properties such as the popular Motorpoint car sales showroom.

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(Source: adapted from an interview with Dean More on 26 January 2016)

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Evidence B

Typical monthly budget for <i>Arrive 'n' Shine</i>	£s
Receipts	
Residential sales*	2 400
Commercial sales**	200
<u>Total</u>	<u>2 600</u>
Expenditure/payments	
Labour costs	1 600
Stock: deionised water	150
Consumables: brushes, carbon filters, membranes	100
Vehicle fuel	150
Marketing, communications, admin	20
Insurances (vehicle and public liability)	60
<u>Total</u>	<u>2 080</u>
Balance (profit)	520

*based on average charge of £8 per property, 300 properties per calendar month

**based on an average of £50 per property, 4 properties per calendar month

(Source: adapted from an interview with Dean More on 26 January 2016)



9 Analyse **two** non-price factors that could affect the supply of *Arrive 'n' Shine's* services.

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(Total for Question 9 = 6 marks)



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10 Using the case study, explain how Dean's business, *Arrive 'n' Shine*, adds value.

Dotted lines for writing the answer to Question 10.

(Total for Question 10 = 4 marks)



11 Evaluate the importance of income as a key motive for Dean to become an entrepreneur.

Area with horizontal dotted lines for writing the answer to Question 11.

(Total for Question 11 = 8 marks)

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12 Evaluate why product trials might be useful to *Arrive 'n' Shine*.

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Dotted lines for writing.

(Total for Question 12 = 8 marks)



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(b) an overdraft

(6)

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(Total for Question 13 = 12 marks)

TOTAL FOR SECTION B = 38 MARKS

TOTAL FOR PAPER = 70 MARKS



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