

Centre No.						Paper Reference						Surname	Initial(s)	
Candidate No.						5	7	4	1	/	0	1	Signature	

Paper Reference(s)

5741/01

Edexcel GCSE
Business

Unit 1 – Introduction to a Small Business

Thursday 21 May 2009 – Afternoon

Time: 1 hour 10 minutes

Examiner's use only

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Team Leader's use only

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Materials required for examination
Calculator

Items included with question papers
Nil

Question Number	Leave Blank
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Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initial(s) and signature. Check that you have the correct question paper.
Answer ALL the questions. Write your answers in the spaces provided in this question paper.
Do not use pencil. Use blue or black ink.
Some questions must be answered with a cross in a box (⊗).
Calculators may be used.
If you change your mind about an answer, put a line through the box (⊗) and then mark your new answer with a cross (⊗).

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2).
There are 29 questions in this question paper. The total mark for this paper is 60.
There are 20 pages in this question paper. Any blank pages are indicated.

Advice to Candidates

Mark your responses to the questions as instructed.

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Turn over

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Answer ALL questions.		Leave blank
<p style="text-align: center;"> Some questions must be answered with a cross in a box (☒). If you change your mind about an answer, put a line through the box (☒) and then mark your new answer with a cross (☒). </p>		
1.	<p>What would be the most likely way for a business to increase its profit?</p> <p>Select one answer.</p> <ul style="list-style-type: none"> <input type="checkbox"/> A Carry out an advertising campaign <input type="checkbox"/> B Change its ownership to become an unlimited liability company <input type="checkbox"/> C Ask its bank to increase its overdraft <input type="checkbox"/> D Find ways to control its costs more effectively <input type="checkbox"/> E Find a way of cutting its revenue 	Q1 <div style="border: 1px solid black; width: 30px; height: 30px; margin: 0 auto;"></div>
(Total 1 mark)		
2.	<p>Three ways that will most likely lead to the start-up of a successful business are to do something:</p> <p>Select three answers.</p> <ul style="list-style-type: none"> <input type="checkbox"/> A that is totally original <input type="checkbox"/> B that a successful competitor is already doing <input type="checkbox"/> C that is new and that there is a market for <input type="checkbox"/> D that is already available but at a lower cost of production <input type="checkbox"/> E that is not available because it has been withdrawn from sale <input type="checkbox"/> F that can easily be advertised <input type="checkbox"/> G that is already available but do it better <input type="checkbox"/> H that can be copied by anyone else <input type="checkbox"/> I that is already available but sales are falling 	Q2 <div style="border: 1px solid black; width: 30px; height: 30px; margin: 0 auto;"></div>
(Total 3 marks)		

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<p>3. Which two of the following would be ways in which a small business might carry out primary research?</p> <p>Select two answers.</p> <p><input type="checkbox"/> A Run a group discussion to find out consumer reaction</p> <p><input type="checkbox"/> B Using statistics produced first hand by the Office for National Statistics</p> <p><input type="checkbox"/> C Observing and recording the behaviour of its customers</p> <p><input type="checkbox"/> D Looking at a competitor’s annual accounts via a web site</p> <p><input type="checkbox"/> E Using a survey carried out last year by a specialist market research company</p> <p><input type="checkbox"/> F Monitoring trends in sales from national sales records</p> <p><input type="checkbox"/> G Using data produced by the government</p> <p>(Total 2 marks)</p>	<p>Leave blank</p> <p>Q3</p> <div></div>
<p>4. Which two of the following would be the most probable major risks for a new business start-up?</p> <p>Select two answers.</p> <p><input type="checkbox"/> A Wondering whether your premises are going to be big enough</p> <p><input type="checkbox"/> B Having too much cash in the bank</p> <p><input type="checkbox"/> C Dealing with difficult customers</p> <p><input type="checkbox"/> D Knowing what the difference is between fixed costs and variable costs</p> <p><input type="checkbox"/> E Coping with the competition</p> <p><input type="checkbox"/> F Knowing what to do with all the profits you are going to make</p> <p><input type="checkbox"/> G Ensuring that there is a market for your product</p> <p>(Total 2 marks)</p>	<p>Q4</p> <div></div>





Hilco Ltd is planning to launch three new products. It has used market research to calculate the likely risk and reward for the three products, the results of which are shown below.

	Risk if product fails	Reward if successful
Product 1	–£25,000	£25,000
Product 2	–£10,000	£30,000
Product 3	–£30,000	£25,000

5. Which of the following options would you recommend Hilco Ltd takes given the information above?

Select **one** answer.

- ☒ A Don't launch any of the products because the risk is too great
- ☒ B Postpone any decision because it is not 100% sure
- ☒ C Launch all three products because the total rewards outweigh the risks
- ☒ D Only launch product 1 because the chances of success and failure are equal
- ☒ E Only launch product 3 because the reward is greater

(Total 1 mark)

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Q5

6. Match the definition on the left with the correct term on the right.

Show your answers by drawing a line from the definition on the left, to the matching term on the right. If you change your mind about an answer, cross the line out and draw a new line to mark your new answer.

Definition		Term	
The creation of a product that is valued higher by the customer than its bought-in costs	i	a	Innovation
A term which refers to putting a new idea into practice	ii	b	Secondary research
A means of positioning products to provide a visual representation of a market	iii	c	Entrepreneurship
A means of finding out about a market using information that has already been published	iv	d	Market research
A process where all members of a business are encouraged to come up with new ideas	v	e	Adding value
		f	Deliberate creativity
		g	Motivation
		h	Market map
		i	Product launch

(Total 5 marks)

Q6



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<p>Questions 7–10 are based on the passage below.</p> <div data-bbox="443 658 1568 958"><p>R.W. Horspools and Sons Ltd is a small family run bakers situated in a village outside Nottingham. The business has been going for over 50 years. The bread it produces is of high quality and has won many awards. In recent years the business has faced increasing competition from supermarkets and from large bakers like Allinsons and Warburtons. Rising wheat, oil and energy prices are also having an effect on the business. Over the past year, wheat prices have risen by over 100%. In addition, the slowdown in the economy means that consumers are being more careful about how they spend their money.</p></div> <p>7. Which one of the following factors is most likely to have an immediate effect on the demand for Horspool’s bread?</p> <p>Select one answer.</p> <p><input type="checkbox"/> A The rise in wheat prices</p> <p><input type="checkbox"/> B A decision by Horspools to invest in new ovens</p> <p><input type="checkbox"/> C A decision by other bakers to reduce the price of their bread</p> <p><input type="checkbox"/> D An increase in the cost of energy</p> <p><input type="checkbox"/> E The expectation by the management at Horspools of a rise in interest rates</p> <p>(Total 1 mark)</p>	<p>Leave blank</p> <p>Q7</p> <div></div>
<p>8. Which one of the following would represent a change in the variable costs of Horspools?</p> <p>Select one answer.</p> <p><input type="checkbox"/> A A rise in business rates</p> <p><input type="checkbox"/> B A fall in its insurance premiums</p> <p><input type="checkbox"/> C A rise in the rent for their premises</p> <p><input type="checkbox"/> D A decision to invest in a computerised accounting system</p> <p><input type="checkbox"/> E An increase in wheat prices</p> <p>(Total 1 mark)</p>	<p>Q8</p> <div></div>

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Q9

Select **one** answer.

- (Total 1 mark)**

Select **two** answers.

- (Total 2 marks)**

Select **one** answer.

- (Total 1 mark)**

<p>12. What might be the main effect on a taxi business of a rise in the price of a commodity like oil?</p> <p>Select one answer.</p> <p><input checked="" type="checkbox"/> A The business might find that its costs would fall</p> <p><input checked="" type="checkbox"/> B The business would notice no effect at all</p> <p><input checked="" type="checkbox"/> C The business would find that it suffers from inflation</p> <p><input checked="" type="checkbox"/> D The business might find that its prices would fall</p> <p><input checked="" type="checkbox"/> E The business would find that its costs would rise</p> <p>(Total 1 mark)</p>	<p>Leave blank</p> <p>Q12</p> <div></div>
<p>For Questions 13 and 14, write the correct words in the sentences to make them complete and accurate.</p> <p>13. When the exchange rate rises the price of exports will but the price of will fall.</p> <p>(Total 2 marks)</p>	<p>Q13</p> <div></div>
<p>14. If interest rates rise then a firm's costs will if it has a bank loan.</p> <p>The business might also face a in sales because consumers might be facing higher mortgage costs.</p> <p>(Total 2 marks)</p>	<p>Q14</p> <div></div>



<p>15. Look at the following statements referring to stakeholders. Use the list below to identify which two stakeholders would most likely be affected by the actions in the statement. Each stakeholder can be used more than once or not at all.</p> <p>Stakeholders</p> <p>Employees Shareholders/owners Suppliers Customers Local community Managers</p> <p>(a) Limiting pay rises to reduce costs and improve profits.</p> <p>Stakeholder 1</p> <p>Stakeholder 2 (2)</p> <p>(b) Those in senior positions in a business working with school students on enterprise projects.</p> <p>Stakeholder 1</p> <p>Stakeholder 2 (2)</p> <p>(c) Finding an alternative source of raw materials so that prices can be cut.</p> <p>Stakeholder 1</p> <p>Stakeholder 2 (2)</p> <p>(Total 6 marks)</p>	<p>Leave blank</p> <p>Q15</p> <div></div>
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Questions 16–18 are based on the passage below.		Leave blank
<div>Sparkle Oven Cleaning Company Ltd is a business offering an oven cleaning service for both domestic houses and small catering businesses in the Northampton area. Eddie Lowe, one of the owners of this family run business, aims to provide a professional cleaning service. Eddie says that the focus of the business is on competitive prices, high standards and aftercare: “because we take pride in making sure every customer is satisfied - Guaranteed!”. (Source: http://www.sparkleovencleaning.co.uk/index.html)</div>		
<p>16. Which two of the following might be reasons why Eddie chose to set up as a limited company?</p> <p>Select two answers.</p> <div><input type="checkbox"/> A Because he wanted to take all the profits for himself</div> <div><input type="checkbox"/> B Eddie would know he could protect his personal possessions</div> <div><input type="checkbox"/> C Limited companies can get access to unlimited finance</div> <div><input type="checkbox"/> D Eddie could be sure that the Stock Exchange would insure him</div> <div><input type="checkbox"/> E Because he would not have to bother with paperwork to set up the business</div> <div><input type="checkbox"/> F Eddie knew he would not have to hire a professional accountant to draw up his accounts</div> <div><input type="checkbox"/> G Eddie could still keep control of the business but issue more shares if he needed to raise finance</div>		Q16
(Total 2 marks)		
<p>17. Which one of the following might be a key part of the customer focus for Sparkle Oven Cleaning Company Ltd?</p> <p>Select one answer.</p> <div><input type="checkbox"/> A Making sure that appointments are kept on-time</div> <div><input type="checkbox"/> B Ensuring that the staff do the job in as short a time as possible so that they can maximise sales</div> <div><input type="checkbox"/> C Monitoring competitors and charging a slightly higher price than them</div> <div><input type="checkbox"/> D Managing the business so that they can make the maximum profit possible</div> <div><input type="checkbox"/> E Creating a culture that is based on staff needs</div>		Q17
(Total 1 mark)		



		Leave blank
	<p>18. Which two of the following might be ways in which Eddie could add value to his business?</p> <p>Select two answers.</p> <p><input type="checkbox"/> A Providing a convenient service that people are prepared to pay for</p> <p><input type="checkbox"/> B Providing a high quality service</p> <p><input type="checkbox"/> C Making sure that customers are aware of the fact that the business has limited liability</p> <p><input type="checkbox"/> D Providing a business card so customers can contact him again</p> <p><input type="checkbox"/> E Buying a van with the name of the company clearly written on the side</p> <p><input type="checkbox"/> F Making sure that he has an excellent relationship with his bank</p> <p><input type="checkbox"/> G Employing an accountant to manage his cash-flow</p>	
	(Total 2 marks)	Q18

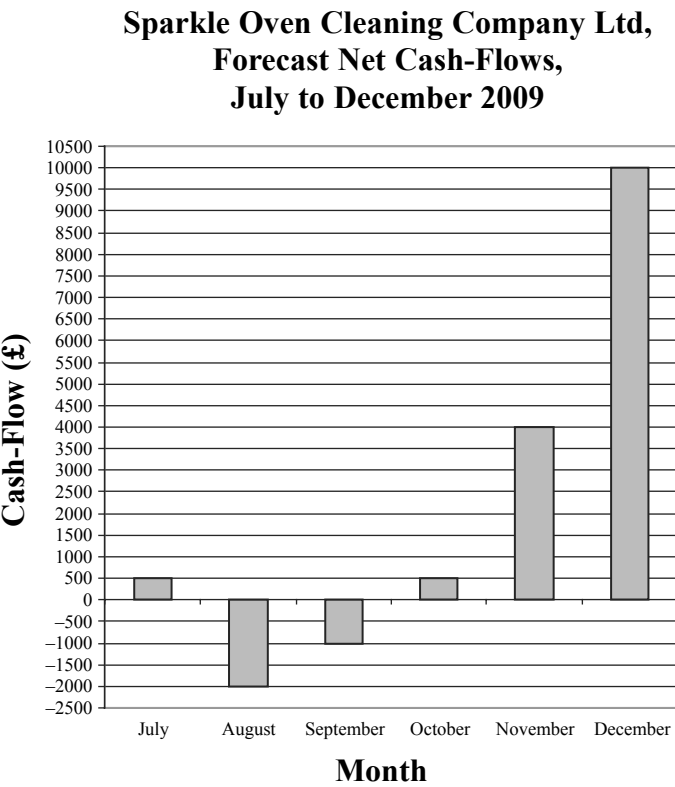


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Questions 19–21 are based on the chart below.



19. Calculate the net cash-flow for July to December 2009.

net cash-flow = £

(Total 1 mark)

Q19

20. What would be the most appropriate way that Sparkle Oven Cleaning Company Ltd could cope with its negative cash-flow in August and September?

Select **one** answer.

- ☒ A Seek out the services of a venture capitalist
- ☒ B Approach its bank to take out a loan
- ☒ C Look to sell more shares in the business
- ☒ D Arrange an overdraft with its bank
- ☒ E Sell off some key assets

(Total 1 mark)

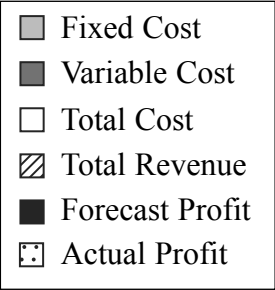
Q20



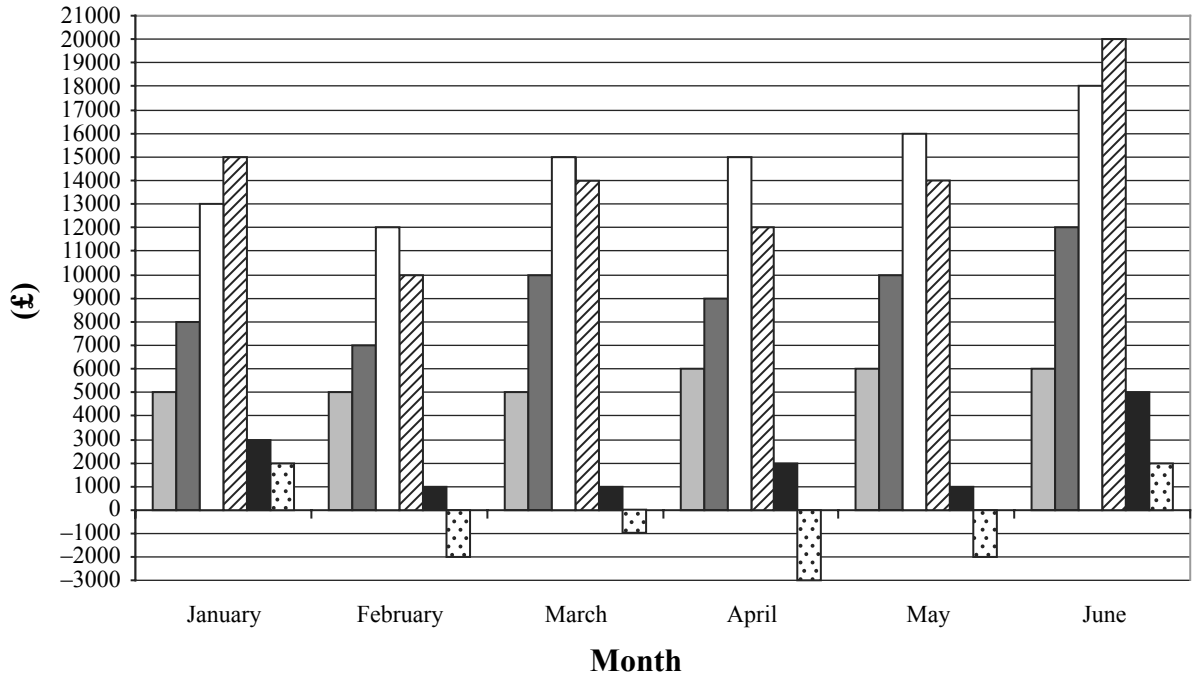
<p>21. Identify three conclusions about Sparkle Oven Cleaning Company Ltd that can be drawn from the chart.</p> <p>Select three answers.</p> <p><input type="checkbox"/> A Eddie might have to hire more staff around the Christmas period</p> <p><input type="checkbox"/> B Sparkle Ltd will make a profit at the end of the year</p> <p><input type="checkbox"/> C Nobody has their ovens cleaned during October</p> <p><input type="checkbox"/> D A bank would be very likely to grant Eddie an overdraft facility</p> <p><input type="checkbox"/> E Eddie should be able to manage his cash-flow effectively if these figures turn out to be correct</p> <p><input type="checkbox"/> F Eddie is not profitable in August and September</p> <p><input type="checkbox"/> G The business is likely to do well in the following year</p> <p>(Total 3 marks)</p>	<p>Leave blank</p> <p>Q21</p> <div></div>
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Questions 22–24 are based on the chart below.
ToyWorld Ltd is a high street store selling toys.



ToyWorld Ltd,
Half-Year Cost, Revenue and Profit Figures



22. What is the most likely reason for the rise in fixed costs from April onwards?

Select **one** answer.

- ☒ A A rise in the cost of buying in toys
- ☒ B A rise in the cost of providing carrier bags
- ☒ C Paying staff more when they work longer hours
- ☒ D An increase in the rent it pays for its premises

Q22

(Total 1 mark)



<p>23. What two reasons might best explain the difference between ToyWorld’s actual profit and the forecast profit in May?</p> <p>Select two answers.</p> <p><input checked="" type="checkbox"/> A Sales for ToyWorld were much higher than predicted</p> <p><input checked="" type="checkbox"/> B ToyWorld based their sales forecasts on inaccurate data</p> <p><input checked="" type="checkbox"/> C The variable costs were higher than expected</p> <p><input checked="" type="checkbox"/> D Actual profit does not take into account total costs</p> <p><input checked="" type="checkbox"/> E The fixed costs rose in May</p> <p>(Total 2 marks)</p>	<p>Leave blank</p> <p>Q23</p> <p></p>
<p>24. Identify three statements about ToyWorld that can be concluded from the information in the chart.</p> <p>Select three answers.</p> <p><input checked="" type="checkbox"/> A ToyWorld has made an overall loss on the first six months of trading</p> <p><input checked="" type="checkbox"/> B As total revenue starts to rise from April to June it is certain that this will continue for the next six months</p> <p><input checked="" type="checkbox"/> C Total revenue rises by more than total costs between April and May</p> <p><input checked="" type="checkbox"/> D ToyWorld needs to re-assess the way it forecasts its profit in future years</p> <p><input checked="" type="checkbox"/> E Given these figures, it is unlikely that ToyWorld will make a profit over the whole year</p> <p><input checked="" type="checkbox"/> F The business needs to find a way of lowering its revenue to meet profit forecasts</p> <p><input checked="" type="checkbox"/> G ToyWorld had negative cash-flow in February, April and May</p> <p>(Total 3 marks)</p>	<p>Q24</p> <p></p>





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	<p>25. Which two of the following are taxes that a small business might have to pay?</p> <p>Select two answers.</p> <p><input type="checkbox"/> A Carpet tax</p> <p><input type="checkbox"/> B Value added tax</p> <p><input type="checkbox"/> C Licence duty</p> <p><input type="checkbox"/> D Inheritance tax</p> <p><input type="checkbox"/> E Corporation tax</p> <p><input type="checkbox"/> F Market tax</p> <p><input type="checkbox"/> G Company tax</p>	
	(Total 2 marks)	Q25



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Questions 26–29 are based on the passage below.



Mandy Beaumont runs Merry Maids of Rutland. Merry Maids provides a cleaning service for busy homeowners. Mandy trains each member of staff to high standards and she carries out regular spot checks to ensure standards are being maintained. Many of her clients have a fortnightly clean; the same two ladies go to the house on each appointment so they really get to know the house. Merry Maids is a franchise which Mandy decided to buy into. She had been considering setting up her own cleaning business. The benefits of buying into the Merry Maids franchise made the decision easy for her.

26. Which **two** of the following enterprise factors might Mandy have needed **most** in order to set up this business?

Select **two** answers.

- ☐ A Showing initiative
- ☐ B The ability to innovate
- ☐ C To be able to plan ahead
- ☐ D Being able to build up a good relationship with her bank
- ☐ E An understanding of qualitative research
- ☐ F Being able to offer a quality service to customers
- ☐ G A good understanding of how the economy works

Q26

(Total 2 marks)

27. Select which of the following aspects of Mandy’s business relate to the appropriate element of the marketing mix.

	Product	Place	Price	Promotion
A The service can be booked through her website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B Making sure her service is cheaper than her rivals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C Appearing in an interview on local radio about her work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D Providing an individually designed service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q27

(Total 4 marks)



28. Judge whether the following statements about franchises are **true** or **false**.

	True	False
A Opening a franchise carries no risk	<input type="checkbox"/>	<input type="checkbox"/>
B Mandy can keep all the revenue she generates	<input type="checkbox"/>	<input type="checkbox"/>
C Selling a franchise makes expanding a business easier and quicker	<input type="checkbox"/>	<input type="checkbox"/>
D Mandy is bound by the rules of the owner of the Merry Maids franchise	<input type="checkbox"/>	<input type="checkbox"/>

(Total 4 marks)

Q28

29. When starting up in business, which **one** objective might not have influenced Mandy?

Select **one** answer.

☒ A To earn enough money to support her family

☒ B To take pride in setting up the business

☒ C To set herself a challenge

☒ D You do not have to take orders from an employer

☒ E To benefit from unlimited liability

(Total 1 mark)

Q29

TOTAL FOR PAPER: 60 MARKS

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