Write your name here

Surname	Other names

Centre Number | Candidate Number

Edexcel GCSE

Business Studies

Unit 3: Building a Business

Tuesday 15 June 2010 – Morning
Time: 1 hour 30 minutes

Paper Reference
5BS03/01

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** the questions.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 90.
- 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.*
- A calculator may be used.

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 the questions. You should spend 40 minutes on this section.

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 ☒.

1 Business finance can come from either internal or external sources.

(a) Which of the following is an internal source of finance?

(1)

Select **one** answer.

A ☐ A loan from a bank.

B ☐ An overdraft.

C ☐ Selling assets.

D ☐ A stock market flotation.

(b) Give **one** advantage of using retained profit as a way of financing business growth.

(1)

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(c) Outline **one** method a business might use to increase its profit.

(3)

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A business needs to raise £500 000 to expand. It is considering borrowing the money from its bank.

(d) Explain **one** disadvantage to the business of borrowing money from a bank.

(3)

(Total for Question 1 = 8 marks)

2

> Amazon is a well known online retailer. It has grown by differentiating itself from its rivals and being highly competitive.

Amazon is an online retailer.

(a) Which **one** of the following elements of the marketing mix does this represent?

(1)

Select **one** answer.

A ☒ Price.

B ☒ Product.

C ☒ Promotion.

D ☒ Place.

(b) Identify **two** methods Amazon might use to differentiate its service from its rivals.

(2)

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(c) Describe why developing a well known brand is important to the success of a business such as Amazon.

(3)

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Businesses collect a wide range of market research data.

(d) (i) Identify **one** method of collecting quantitative market research data.

(1)

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(ii) Explain how quantitative data might help a business to improve its marketing mix.

(3)

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(Total for Question 2 = 10 marks)

3 The product life cycle in Figure 1 shows sales of a new chocolate bar over a period of time.

(a) Look at Figure 1. What is phase 3 called?

(1)

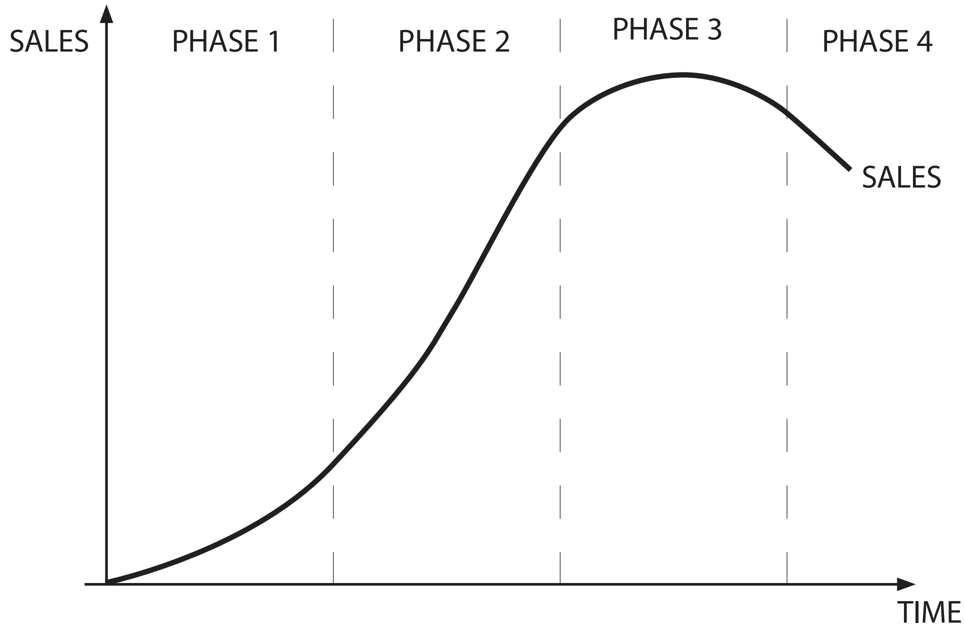

Figure 1

Select **one** answer.

A ☒ Decline.

B ☒ Maturity.

C ☒ Growth.

D ☒ Introduction.

(b) (i) Identify **two** possible extension strategies a chocolate manufacturer might use.

(2)

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M 3 7 1 0 3 A 0 6 2 0

(ii) Explain how **one** of the strategies you identified in (b)(i) would extend the product life cycle of the new chocolate bar.

(3)

(c) (i) Identify **one** element of the Boston Matrix.

(1)

(ii) Describe how the use of the Boston Matrix can benefit a business.

(3)

(Total for Question 3 = 10 marks)

4 McDonald's is one of the most well known fast food brands in the world. The business aims to produce high quality convenience food at an affordable price. This allows it to compete successfully in the mass market. Each McDonald's restaurant holds buffer stocks equivalent to two days possible demand for food.

(Source: adapted from http://www.thetimes100.co.uk/)

(a) A business breaks even at the level of output where:

(1)

Select **one** answer.

A ☒ total profits = total costs

B ☒ fixed costs = total revenue

C ☒ variable costs = fixed costs

D ☒ total revenue = total costs.

(b) Identify **two** reasons why a business such as McDonald's might decide to hold buffer stocks.

(2)

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(c) Explain **one** way in which a Just In Time (JIT) method of stock control might benefit a business such as McDonald's.

(3)

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(d) Improving the quality of a product and improving productivity are two ways in which a business like McDonald's might become more competitive.

Which of these **two** methods do you think would be most effective in improving the competitiveness of a business such as McDonald's and why?

(6)

Method ....

Reason ....

(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

SECTION B

Answer ALL the questions. You should spend 30 minutes on this section.

Read the following passage carefully and then answer questions 5 and 6.

The Co-operative Group (the Co-op):

The Co-op is Britain's fifth largest food retailer and runs over 4000 stores across the UK. In 2008 the Co-op was voted Britain's best ethical business for the second year running.

For instance in 2008:

- 99% of its electricity came from renewable energy sources such as wind power
- it promoted and sold Fairtrade products in its shops
- it spent 6.9% (£10.4 million) of its profits on local community projects
- it reduced the weight of its packaging by 26% to limit waste.

(Source: adapted from http://www.co-operative.coop/)

Tesco:

Tesco is the largest supermarket group in the UK. In the last few years it has tried to reduce the effect of its operations on the environment. For instance it has:

- offered extra Clubcard or loyalty points for customers who re-use plastic bags
- reduced the distance products are transported, reducing CO_2 emissions
- generated more of its electricity using wind power.

However, critics argue that Tesco is only doing this because of the actions of pressure groups like 'Tescopoly'. It believes Tesco has too much power and it wants the Government to force Tesco to become more environmentally responsible.

(Source: adapted from http://www.tescoplc.com/)

5 Some of the products the Co-op buys from countries outside the EU are subject to import protection, such as tariffs.

(a) Describe **one** effect import protection might have on the Co-op.

(3)

(b) What is meant by the term **ethics** in business?

(2)

(c) Explain **one** benefit to the Co-op of being an ethical business.

(3)

*(d) Give **two** disadvantages to the Co-op of being an ethical business.

For **each** disadvantage explain the effect on the business.

(8)

Disadvantage 1 ....

Explanation ....

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Disadvantage 2 ....

Explanation ....

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(Total for Question 5 = 16 marks)

6 (a) What is meant by the term **pressure group**?

(2)

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(b) Identify **one** method a pressure group, such as Tescopoly, could use to persuade Tesco to act more responsibly.

(1)

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(c) Explain **one** way in which a business, such as Tesco, might be affected by a successful pressure group campaign.

(3)

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Tesco has taken steps to reduce the effect of its operations on the environment.

*(d) Assess **two** possible benefits to Tesco from doing this.

(8)

(Total for Question 6 = 14 marks)

TOTAL FOR SECTION B = 30 MARKS

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SECTION C

Answer ALL the questions. You should spend 20 minutes on this section.

Read the following passage carefully and then answer questions 7 to 10.

Affinity

Bringing families together...

Affinity is a small publishing company which produces guide books for walks.

The company started out in Devon and published several guide books for the local market. The idea was to produce books containing short walks suitable for families. The first book was a success, selling more than 500 copies in less than two weeks.

The company decided to expand. Affinity employed new staff based in different parts of the country to produce guide books covering walks in other areas of the UK.

However, with expansion came problems; as more people were employed, communication became difficult and mistakes were made. This reduced the quality of some of the guide books, complaints increased and sales fell.

There was also the problem of how to remunerate and motivate staff. Some of the new employees were paid a salary and others were paid by the hour and these employees seemed only interested in the amount of money they could earn. Affinity's owners wanted to find other ways of improving their motivation.

A salary and payment by the hour are two methods Affinity use to remunerate their employees.

7 What is meant by the term **salary**?

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(Total for Question 7 = 2 marks)

8 Identify **two** other methods of remuneration, apart from salary and payment by the hour, that Affinity might use to reward employees.

(Total for Question 8 = 2 marks)

9 Discuss **two** benefits to Affinity of improved motivation of its employees.

(Total for Question 9 = 6 marks)

***10** Using your knowledge of business, assess the importance of good communication to a company such as Affinity.

(Total for Question 10 = 10 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 90 MARKS

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