Write your name here

Surname

Other names

Edexcel GCSE

Centre Number

Candidate Number

Business Studies and Economics
Unit 5: Introduction to Economic Understanding

Monday 6 June 2011 – Morning
Time: 1 hour 30 minutes

Paper Reference
5BS05/01

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.
- 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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Answer ALL the questions. You should spend 35 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

> Change4life is a UK government project which encourages people to adopt a healthier lifestyle. Part of the project allows those aged under 18 and over 60 to swim for free in public swimming pools.
>
> Some people feel the opportunity cost of the £140 million spent on the project was too high. They believe the money could have been better spent on other things such as education.

(a) Which of the following is a definition of **opportunity cost**?

(1)

Select **one** answer.

⊠ **A** The opportunity to buy something at a low price.

⊠ **B** The value of the next best alternative sacrificed.

⊠ **C** The total cost of making a product.

⊠ **D** The value a consumer places on a product.

(b) (i) Identify **two** stakeholders that might benefit from the Change4life project.

(2)

1 ....

2 ....

(ii)   Explain how **one** of the stakeholders you identified in 1(b)(i) might benefit from the Change4life project.

(3)

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(c) Describe **two** possible trade-offs the UK government might face in making a decision to fund projects like Change4life.

(4)

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(Total for Question 1 = 10 marks)

2 (a) Which of the following is used to measure economic growth?

(1)

Select **one** answer.

☒ **A** Consumer prices index.

☒ **B** The value of imports.

☒ **C** Economies of scale.

☒ **D** Gross domestic product.

(b) State **three** negative effects associated with economic growth.

(3)

1 ....

2 ....

3 ....

Economic growth is one way to measure the standard of living of a country.

(c) (i) Identify **one** method a government might use to increase the standard of living.

(1)

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(ii) Explain how this method might help to increase the standard of living in a country.

(3)

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(Total for Question 2 = 8 marks)

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3 Ticketmaster plc sells tickets for a wide range of entertainment events. It was planning a merger with Live Nation plc, a business that stages concerts. The merger was initially rejected by the UK Competition Commission. There were concerns that the merged company would have too much monopoly power.

(a) Which of the following is a definition of the term **'merger'**?

(1)

Select **one** answer.

A merger is where:

☒ **A** two or more businesses voluntarily join together.

☒ **B** one business buys enough shares in a company to control it.

☒ **C** two businesses work together to design a new product.

☒ **D** one business takes over another company.

(b) Identify **three** possible ways a business like Ticketmaster can develop through **internal** growth.

(3)

1 ....

2 ....

3 ....

(c) Explain **one** possible benefit to Ticketmaster of the proposed merger.

(3)

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(d) Explain **one** disadvantage of a monopoly to consumers.

(3)

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(Total for Question 3 = 10 marks)

4 (a) Which of the following best describes the term **'import'**?

(1)

Select **one** answer.

An import:

☒ **A** is sold to a customer in another country

☒ **B** can only be bought in the UK

☒ **C** is bought from a business in another country

☒ **D** is the amount of foreign currency you can buy with one euro.

(b) Define the term **'international trade'**.

(2)

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(c) Explain **one** cost to a less economically developed country (LEDC) of international trade.

(3)

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(d) Tariffs and quotas are two ways LEDCs can restrict free trade.

Which **one** of these do you think is most likely to reduce imports to a LEDC and why?

(6)

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(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 article carefully and then answer questions 5 to 8.

Woolworths (a retail chain store) closed its last high street store in January 2009. This meant 27,000 people lost their jobs at a time when unemployment was rising.

One of these workers was Kate Meredith who had worked for Woolworths since leaving school. On her last day at the store she said, "I only know working for Woolworths, it's been so long since I applied for a job that I'm not sure what to do. And then of course there's my wages!"

Many experts blamed this example of business failure on the lack of quality of Woolworths' products compared to other high street stores, and that customers could often buy the goods for lower prices elsewhere.

Some people also blamed the fall in demand in the UK economy during the recession of 2009 as a factor which contributed to Woolworth's failure.

5 Identify **two** elements of the marketing mix. For each element explain how it could contribute to the collapse of a business such as Woolworths.

Element 1

(1)

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Explanation

(3)

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Element 2

(1)

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Explanation

(3)

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(Total for Question 5 = 8 marks)

6 (a) (i) Identify **one** effect of the closure of Woolworths on employees such as Kate Meredith.

(1)

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(ii) Explain this effect on employees such as Kate Meredith.

(3)

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(Total for Question 6 = 4 marks)

*7 Two methods the UK government might use to affect the economy are to:

- increase government spending

- reduce taxation.

In your opinion, which of these **two** methods is more likely to boost demand in the economy and why?

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(Total for Question 7 = 8 marks)

8 During 2009 there was a weakening in the exchange rate of the pound against the euro.

Many high street retailers import the products they sell.

(a) Define the term **'exchange rate'**.

(2)

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*(b) Assess the effect of a weakening pound against the euro on the profits of high street retailers.

(8)

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(Total for Question 8 = 10 marks)

TOTAL FOR SECTION B = 30 MARKS

SECTION C

Answer ALL the questions. You should spend 25 minutes on this section.

Read the following passage carefully and then answer questions 9 to 11.

Justino is a cocoa farmer from Belize, a less economically developed country (LEDC) in Central America. Up to 2002, he worked long hours but could not earn enough money to afford the basics in life due to the low price offered by chocolate companies for his crop.

In 2002, he signed a contract with the UK chocolate producer Green & Blacks which promised to buy all locally produced cocoa for the next three years at a much higher price than the farmers were used to. This gave farmers like Justino the confidence to expand, employ more people and help improve the quality of life for their families.

Green & Blacks is proud to display the Fairtrade Foundation logo on its products. It sees socially responsible production as a measure of success.

However, some people argue that the only reason businesses consider their social responsibilities is because it can give them a competitive advantage over their rivals and the opportunity to increase sales.

9 State what is meant by the term **'competitive advantage'**.

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(Total for Question 9 = 2 marks)

10 Identify **two** methods that governments could use to help the development of LEDCs like Belize. For each method, explain how the LEDC might benefit.

Method 1

(1)

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Explanation

(3)

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Method 2

(1)

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Explanation

(3)

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(Total for Question 10 = 8 marks)

*11 Using the evidence that is given in Section C, and your knowledge of economics and business, assess the strength of the case for regarding social responsibility as the most important measure of a business's success in developed countries.

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(Total for Question 11 = 10 marks)

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

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