

Write your name here

Surname

Other names

Pearson
Edexcel GCSE

Centre Number

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Candidate Number

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**Business Studies,
Business Communications,
Business Studies and Economics**
Unit 1: Introduction to Small Business

Wednesday 24 May 2017 – Morning
Time: 45 minutes

Paper Reference

5BS01/01

You do not need any other materials.
A calculator may be used.

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 40.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*

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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Answer ALL questions. Write your answers in the spaces provided.

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 Stakeholders have an interest in the success of a business.

All stakeholders:

Select **one** answer.

- A invest money in the business
- B work for the business
- C have a share of the profit
- D have different objectives

(Total for Question 1 = 1 mark)

Jason runs a business called *Prom Motors*. He has seen his business expand over recent years and has employed more drivers. Jason explained his vision for the future of *Prom Motors* at a meeting with the drivers.

2 Which **one** of the following entrepreneurial qualities did Jason demonstrate by explaining his vision?

Select **one** answer.

- A Willingness to take risks
- B Being lucky
- C Independence
- D Leadership

(Total for Question 2 = 1 mark)

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Questions 3 and 4 are based on the scenario below.

Petals Ltd is a flower shop in Doncaster. Every day Megan, the owner, displays flowers in front of her shop.

3 Which **two** of the following are her reasons for doing this?

Select **two** answers.

- A Increase variable costs
- B Raise customer awareness of products
- C Differentiate her business
- D Improve the motivation of her workers
- E Attract venture capital

(Total for Question 3 = 2 marks)

4 Which **three** of the following are reasons why Megan set up *Petals Ltd* as a private limited company?

Megan:

Select **three** answers.

- A would have unlimited liability
- B could protect her personal possessions
- C could guarantee that the business would make a profit
- D would only lose the amount she invested if the business fails
- E could raise money on the stock exchange
- F would have the opportunity to raise finance by selling shares

(Total for Question 4 = 3 marks)



Questions 5–8 are based on the scenario below.

Raj and Abdul run a business called *Party Goers Ltd*, selling a range of party products in London. Before the business opened they carried out primary market research.

5 Which **two** of the following are examples of primary market research?

Select **two** answers.

- A Published government statistics
- B Magazine articles
- C Focus group meetings
- D Interviews with competitors
- E Internet research

(Total for Question 5 = 2 marks)

6 Raj and Abdul have set some objectives for *Party Goers Ltd*.

Which **one** of the following is a non-financial objective?

Select **one** answer.

- A Revenue maximisation
- B Personal satisfaction
- C Profit maximisation
- D Improve cash flow

(Total for Question 6 = 1 mark)

7 Raj and Abdul want to increase the added value of their products.

What is meant by added value?

Select **one** answer.

- A The difference between what a business pays its employees and what it receives from selling its products
- B Variable costs minus price
- C The difference between what a business pays its suppliers and what it receives from selling its products
- D Price minus total cost

(Total for Question 7 = 1 mark)



Party Goers Ltd has been successful. Raj and Abdul are keen to expand the business by opening another shop. To do this they will use long-term sources of finance.

8 Which **three** of the following are examples of long-term sources of finance?

Select **three** answers.

- A Venture capital
- B Sales revenue
- C Profit
- D Overdraft
- E Trade credit
- F Share capital

(Total for Question 8 = 3 marks)

CakesRU is a UK business that imports cake mixes from the USA. On average it imports approximately 2,000 mixes each month. Each mix costs \$3.

Last year the exchange rate between the British pound and the US dollar was £1 = \$1.77, and this year it is £1 = \$1.55.

9 Identify **two** effects on *CakesRU* of this change in the exchange rate.

Select **two** answers.

- A The cost of buying the cake mixes from the USA will rise
- B Lower variable costs of cake mixes from the USA
- C Increased imports of cake mixes from the USA
- D Lower profit on each sale if the UK price does not change
- E Increased demand for its cake mixes in the UK

(Total for Question 9 = 2 marks)



Questions 10–12 are based on the scenario below.

Lee Hughes is an enthusiastic fisherman. He decided to set up his own business operating daily fishing trips in the Lake District. He called the business *Lake District Expeditions*. The business is very busy during the summer. The price of a fishing trip is £500 per day and this includes the use of fishing equipment, fishing lessons and a picnic hamper. Lee hires the fishing equipment from a local shop.

10 Fill in the **three** blanks for *Lake District Expeditions*' revenue and costs below.

	July	August	September	
	£	£	£	
Revenue		11 000	10 000	(1)
Equipment Hire	560	560	560	
Picnic Hampers	2 800	2 200	2 000	
Fuel	1 400	1 100	1 000	
Fixed Costs	300	300	300	
Total Costs	5 060		3 860	(1)
Number of Trips	28	22		(1)

(Total for Question 10 = 3 marks)

Lee is considering operating his business in a different location when the summer is over. He has produced a cash flow forecast to include in his business plan for a loan.

11 Which **three** of the following might be the reasons why Lee produced a cash flow forecast?

Select **three** answers.

- A** It is a legal requirement that a business should have a cash flow forecast
- B** It can help a bank decide whether it should lend money to a business
- C** A cash flow forecast ensures that the business will be successful
- D** Cash flow forecasts can reduce the risk of business failure
- E** To identify the cash inflows over the last six months
- F** To identify if the business will require an overdraft

(Total for Question 11 = 3 marks)



Lee has chosen another location for his business 100 miles north of the Lake District.

12 Which **two** of the following would be important for Lee in deciding where to locate the new business?

Select **two** answers.

- A** Lots of competitors in the area
- B** Availability of fishing equipment hire shops
- C** Near to lakes and rivers
- D** Close to fishing equipment manufacturers
- E** Access to the Internet

(Total for Question 12 = 2 marks)

13 Which **one** of the following best defines the term innovation?

Select **one** answer.

- A** Identifying a gap in the market for developing a new product
- B** Spending money on the purchase of replacement equipment
- C** Transforming new ideas into products that can be marketed
- D** Applying for a patent on a recently developed new product

(Total for Question 13 = 1 mark)

14 Which **one** of the following is a tax on the profit made by a private limited company in the UK?

Select **one** answer.

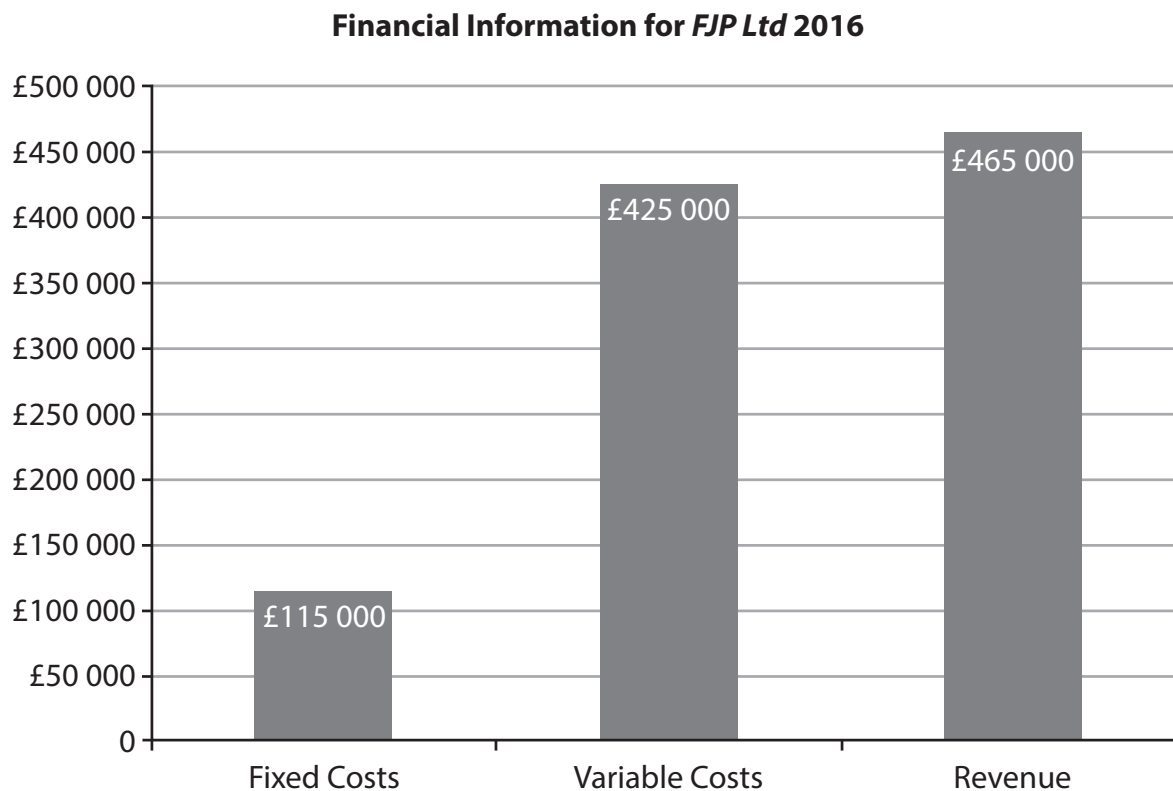
- A** Value Added Tax
- B** Distribution Tax
- C** Income Tax
- D** Corporation Tax

(Total for Question 14 = 1 mark)



Questions 15–17 are based on the scenario below.

FJP Ltd manufactures high-quality office chairs. The chart below shows financial information for *FJP Ltd* in 2016.



15 Which **two** conclusions can be drawn from the bar chart?

In 2016 *FJP Ltd*:

Select **two** answers.

- A made a loss of £75 000
- B made a profit of £60 000
- C made a loss of £310 000
- D had a cash inflow of £370 000
- E had total costs of £540 000

(Total for Question 15 = 2 marks)



16 What would be the main reason for *FJP Ltd* to produce high-quality office chairs?

To provide:

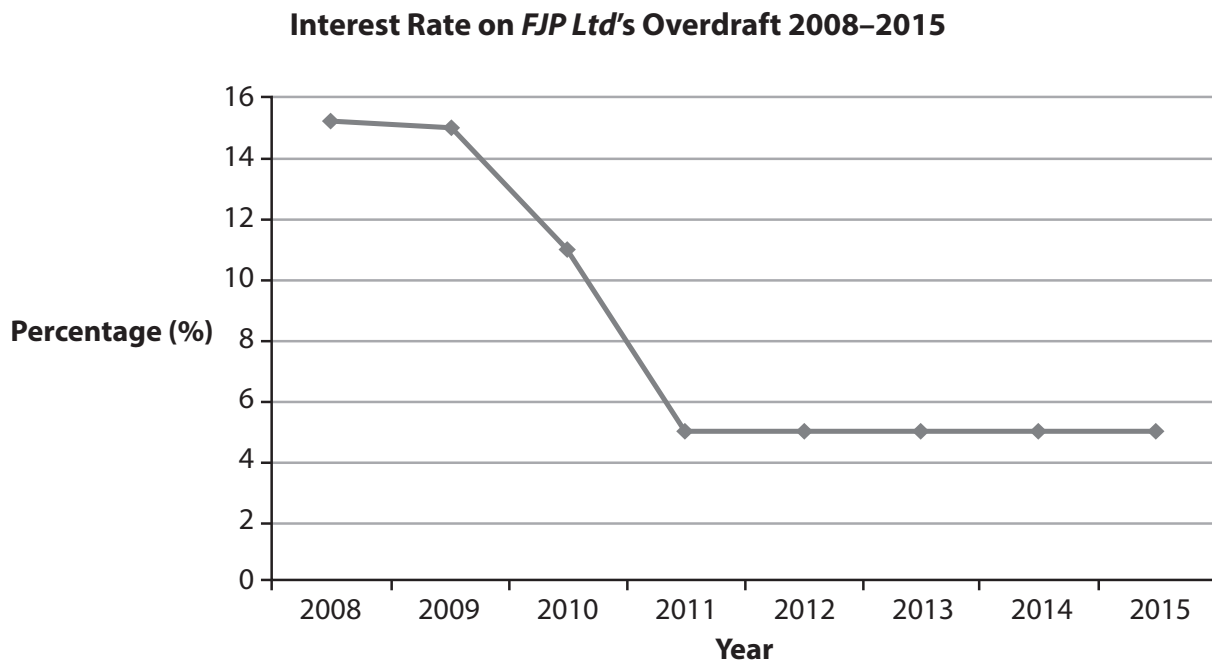
Select **one** answer.

- A tax revenue for the government
- B goods that meet the needs of customers
- C orders for suppliers
- D jobs for the local community

(Total for Question 16 = 1 mark)



The graph below shows the interest rate the bank charged on *FJP Ltd's* overdraft between 2008 and 2015.



17 Identify the **three** likely effects on *FJP Ltd* of the changes in the interest rate shown in the graph.

Select **three** answers.

- A** Reduced fixed costs
- B** Increased risk of insolvency
- C** Lower variable costs
- D** Improved net cash flow
- E** Lower cash inflow
- F** Increased profit

(Total for Question 17 = 3 marks)



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18 Which **two** of the following are examples of lateral thinking techniques?

Select **two** answers.

- A** Producing a business plan
- B** Providing a range of products
- C** Collecting market research information
- D** Creating a mind map
- E** Thinking outside the box

(Total for Question 18 = 2 marks)

19 What is the purpose of a 'what if' question?

Select **one** answer.

- A** It increases the level of economic activity
- B** It makes sure sales will increase
- C** It ensures that the business will not fail
- D** It improves decision making

(Total for Question 19 = 1 mark)



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

The first one has been done for you.

Term	
i	Market segment
ii	Market map
iii	Person specification
iv	Unique trading name
v	Net cash flow
vi	Calculated risk

Definition	
A	Enables customers to recognise a business in its market place.
B	The total revenue received from sales over a period of time.
C	Involves taking risks, showing initiative and a willingness to undertake new ventures.
D	A document outlining the responsibilities and duties expected to be carried out by someone.
E	Weighing up the probability of profit or loss.
F	A visual means of showing where a product is positioned in a market.
G	A group of customers with similar characteristics.
H	The difference between cash inflows and cash outflows over a period of time.
I	A document outlining the skills and qualities needed by a job applicant.

- (i) **G**
- (ii)
- (iii)
- (iv)
- (v)
- (vi)

(Total for Question 20 = 5 marks)

TOTAL FOR PAPER = 40 MARKS

