

Sample Assessment Materials

Edexcel GCSE Business Studies, Business Communications, Business Studies and Economics and Business Studies (Short Course) (2BS01) (2BC01) (2BE01) (3BS01)

Inside this Sample Assessment Materials pack you'll find:

- Accessible papers to help you and your students prepare for the assessment
- Clear and concise mark schemes to let you know what the examiners are looking for
- Supported controlled assessment information including sample tasks and controlled assessment to share with students.



Welcome to the GCSE 2009 in Business Sample Assessment Materials

These sample assessment materials have been written to accompany the specification. They have been developed to give you and your students a flavour of the actual exam papers and mark schemes so they can experience what they will encounter in their assessments. They feature:

- **Accessible papers** using a mixture of question styles. We've worked hard to ensure the papers are easy to follow and encourage all students to achieve their full potential.
- **Clear and concise mark schemes** for each paper outlining what examiners will be looking for in the assessments, so you can use the sample papers with students to help them prepare for the real thing.
- **Supported controlled assessment**, including sample controlled assessment materials to show you the sort of activity students that students can undertake. Used in conjunction with the guidance in the Teacher's Guide, these samples will help you manage the controlled assessment in your centre and help students to do their best.

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCSE

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

Sample Assessment Material

Time: 45 minutes

Paper Reference

5BS01/01

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 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.
- 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

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 indicate your new answer with a cross ☒.

- 1 Which of the following would **not** be an appropriate method of market research for a new small business?

Select **one** answer.

- A Employing a specialist market research company to carry out a survey of 10,000 people
- B Using published statistics about market trends
- C Asking customers to fill in a short questionnaire on the premises
- D Conducting an interview with a group of volunteer customers

(Total for Question 1 = 1 mark)

- 2 Which **two** of the following are key features of enterprise?

Select **two** answers.

- A A willingness to take risks
- B A willingness to employ at least five workers
- C A willingness to take the initiative
- D A willingness to follow a course of study in business
- E The ability to raise finance

(Total for Question 2 = 2 marks)

3 Which **three** of the following are examples of fixed costs?

Select **three** answers.

- A The payment of electricity for powering a machine used in production
- B The rent on a business's premises
- C The purchase of raw materials
- D The budget for advertising
- E Taking out insurance against fire and damage to the premises
- F The payment of wages related to the amount the workers produce

(Total for Question 3 = 3 marks)

4 Which **two** of the following are the **most likely** reasons why an individual would want to start a business?

Select **two** answers.

- A To use the profits of a business to make a difference
- B To work fewer hours each week
- C To avoid paying income tax
- D To show their boss that they are as good as them
- E To control their own future

(Total for Question 4 = 2 marks)

The following table shows the cash flow forecast for the first three months of the year.

5 Fill in the **four blanks** to complete the table.

	Jan	Feb	March	
Receipts (£)	10000	8500		(1)
Payments (£)				
Raw materials	2000		3600	(1)
Fixed costs	4000	4000	4000	
Other costs	5000	5200	5900	
Total Payments	11000	11700	13500	
Net cash flow		-3200	1500	(1)
Opening balance	500		-3700	(1)
Closing balance	-500	-3700	-2200	

(Total for Question 5 = 4 marks)

6 Which of the following is a reason why customer service is important to the success of a small business?

Select **one** answer.

- A Because customers are the ones who add value
- B Because a small business wants to get repeat purchases
- C Because customers will buy a product if the price is right
- D Because it has to meet legal requirements

(Total for Question 6 = 1 mark)

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Read the passage below carefully and then answer questions 7 to 10 which all relate to the passage.

Marie set up a new private limited company selling gift bags. Before she started the business, Marie had to produce a business plan to support her application to her bank for a loan. In her first year of trading, the biggest problems she faced were managing her cash flow and making sure she kept a record of all her income and spending.

7 Which **three** of the following would Marie have had to include in her business plan?

Select **three** answers.

- A All her invoices and receipts from purchases and sales
- B A copy of the design of her business card
- C A cash flow forecast
- D A record of all her profits from the business for the past five years
- E An overview of the nature of the business
- F A summary of the market research she has carried out

(Total for Question 7 = 3 marks)

8 Which **two** of the following might be the **most likely** reasons why Marie set up as a private limited company?

Select **two** answers.

This is because:

- A she wanted to raise large amounts of money on the Stock Exchange
- B she believed the risk would be less
- C she wanted to be the sole owner of the business
- D she would have access to limited sources of finance
- E she would only be liable for the amount she invested if the business failed

(Total for Question 8 = 2 marks)

9 Which of the following would be the **two most likely** reasons why Marie has to keep a record of her business's income and spending?

Select **two** answers.

- A To ensure she has the correct information to give to her accountant
- B So that she could return any faulty goods she bought to the shop
- C To be able to prove to Her Majesty's Revenue and Customs that she is paying the right amount of tax
- D To be able to prove to her family that she is running the business properly
- E So that if she made a loss she can see what item of spending caused the loss

(Total for Question 9 = 2 marks)

10 What would be the **two** most likely effects of an unexpected rise in the demand for Marie's gift bags?

Select **two** answers.

- A Marie's profits would fall
- B Fewer people might buy Marie's gift bags
- C There might be a surplus of gift bags on the market
- D The price of gift bags would be likely to rise
- E There might be a shortage of gift bags available for sale

(Total for Question 10 = 2 marks)

11

A business spent:

- £10,000 on raw materials
 - £30,000 on fixed costs
 - £7,500 on other variable costs
- and had a turnover of £50,000.

The business now buys its raw materials 10% more cheaply from a new supplier.

What effect will this have on its profit level?

Select **one** answer.

The profit level will:

- A** increase by £2,500
- B** fall by £2,500
- C** increase from £2,500 to £3,500
- D** increase by 10%

(Total for Question 11 = 1 mark)

12 Which **two** of the following are subject to legislation that protect workers from discrimination?

Select **two** answers.

- A Politics
- B Ability
- C Age
- D Ethics
- E Race

(Total for Question 12 = 2 marks)

13 Which **two** of the following are most important in spotting a new business opportunity?

Select **two** answers.

- A Recognising a need in the market place
- B Being able to sell at a low price
- C Knowing someone who has already started a business
- D Knowing who your competitors are
- E Being a brilliant accountant

(Total for Question 13 = 2 marks)

Read the passage below carefully and then answer questions 14 and 15 which relate to the passage.

A small family business in Scotland produces bottled spring water for selling abroad. The success of the business is based on the quality of their product. In recent months, it has had to arrange for a new loan from its bank to finance the repair of one of its pieces of equipment.

14 If interest rates rose in the UK, which **two** of the following are the most likely effects on the business?

Select **two** answers.

The business would:

- A** see no difference because it did not have any savings
- B** see its costs rise
- C** see its costs falling
- D** see its sales slow down
- E** see its sales rise because customers are now more interested

(Total for Question 14 = 2 marks)

15 The exchange rate between the pound and the euro stands at £1 = €1.50

How much would an Italian business buying bottles of water priced at £20.00 per case from the UK have to pay in euros?

Select **one** answer.

- A** €21.50
- B** €30.00
- C** €18.50
- D** €13.33

(Total for Question 15 = 1 mark)

Read the passage below carefully and then answer the following question which relates to the passage.

JayCD is a small independent CD music store which operates on very narrow profit margins. It is facing strong competition from a local supermarket in the town selling chart CDs at very low prices.

16 Which **two** of the following are the **most likely** methods *JayCD* might use to compete with the local supermarket?

Select **two** answers.

- A Lower its prices below that of the supermarket
- B Launch an advertising campaign on national television
- C Provide an ordering service for hard-to-find CDs for their customers
- D Open up two new stores in the town
- E Focus on improving the quality of customer service

(Total for Question 16 = 2 marks)

Read the passage below carefully and then answer questions 17 and 18 which relate to the passage.

Alex Tew took 20 minutes to come up with an idea to help clear his debts before going to university. Within three months he had made a million dollars by selling pixels on a website to businesses. The businesses could buy any number of pixels for \$1 each and use it to place an advert link to their business. His creation, 'The Million Dollar Homepage', was exactly that!

17 Which of the following enterprise skills do you think was the most important in contributing to Alex's success?

Select **one** answer.

- A** He asked why people would pay \$1 for a pixel on a website
- B** He showed initiative in solving his problem of student debt
- C** He didn't just ask all the right questions, he actually got up and did it
- D** He thought creatively about ways to make a million

(Total for Question 17 = 1 mark)

18 Alex is thinking of new ways to develop his entrepreneurial skills.

Which of the following would the **most appropriate** way Alex could protect a new business idea?

Select **one** answer.

- A** Keep the idea a secret
- B** Write down his idea and store it safely in a bank
- C** Register the idea under copyright
- D** Send a copy of his idea to the government

(Total for Question 18 = 1 mark)

Read the information below carefully and then answer the following question which relates to the information.

Sanjeev wants to set up in business and be his own boss. He is thinking of setting up a shop that sells organic health care and beauty products. He has a choice to make between setting up on his own and buying a shop in a busy part of a town centre, or taking the opportunity of buying into a franchise of *The Body Shop*, which is in a less busy part of the town. Sanjeev has drawn up a 'good' and 'bad' list for each option as follows:

Option 1: Set up on my own		Option 2: Body Shop franchise	
Good	Bad	Good	Bad
Total control	Could lose everything	<i>The Body Shop</i> is a well known brand	Not totally my own boss
Good location	Competition from high street stores such as <i>Boots</i>	All marketing and shop equipment provided by <i>The Body Shop</i>	Have to pay £50,000 to buy the franchise
All profits are mine	1 in 3 new stores fail	Similar franchises have had a 90% success rate	Have to give a proportion of my profit to <i>The Body Shop</i>
Satisfaction of doing it myself	Totally on my own!	Its range of products are well known	Not such a good location

19 Using the principle of calculated risk, which option would you choose if you were Sanjeev?

Select **one** answer.

- A The 'on my own' route because all the reward of all the profits would be mine
- B The franchise route because it is the least risky option
- C The franchise route because people like *The Body Shop* products and this increases the reward
- D The 'on my own' route because it is the least risky location

(Total for Question 19 = 1 mark)

20 Match the definition on the left with the correct term on the right. Select the definition and then the term. To change your answer re-select the definition and the term. There is only one correct term for each definition.

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	
The production of a good where consumers are prepared to pay a higher price than the bought-in costs	i
When a company carries out market research, they use data from research that has already been carried out by someone else	ii
A term that refers to a group of people who have similar buying habits and behaviours	iii
Information gathered by a small business which tells them why consumers buy their product	iv
A visual means of showing where a product is positioned in the market	v

Term	
a	Secondary data
b	Competitor knowledge
c	Value added tax
d	Marketing mix
e	Adding value
f	Qualitative data
g	Market mapping
h	Market segment

(Total for Question 20 = 5 marks)

TOTAL FOR PAPER = 40 MARKS

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Unit 1: Introduction to Small Business

Question Number	Answer	Mark
1	A	(1)

Question Number	Answer	Mark
2	A, C	(2)

Question Number	Answer	Mark
3	B, D, E	(3)

Question Number	Answer	Mark
4	A, E	(2)

Question Number	Answer	Mark																																																		
5	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Jan</th> <th>Feb</th> <th>March</th> <th></th> </tr> </thead> <tbody> <tr> <td>Receipts (£)</td> <td>10000</td> <td>8500</td> <td>-15000</td> <td>(1)</td> </tr> <tr> <td>Payments (£)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Raw materials</td> <td>2000</td> <td>2500</td> <td>3600</td> <td>(1)</td> </tr> <tr> <td>Fixed costs</td> <td>4000</td> <td>4000</td> <td>4000</td> <td></td> </tr> <tr> <td>Other costs</td> <td>5000</td> <td>5200</td> <td>5900</td> <td></td> </tr> <tr> <td>Total Payments</td> <td>11000</td> <td>11700</td> <td>13500</td> <td></td> </tr> <tr> <td>Net cash flow</td> <td>-1000</td> <td>-3200</td> <td>1500</td> <td>(1)</td> </tr> <tr> <td>Opening balance</td> <td>500</td> <td>-5000</td> <td>-3700</td> <td>(1)</td> </tr> <tr> <td>Closing balance</td> <td>-500</td> <td>-3700</td> <td>-2200</td> <td>(4)</td> </tr> </tbody> </table>		Jan	Feb	March		Receipts (£)	10000	8500	-15000	(1)	Payments (£)					Raw materials	2000	2500	3600	(1)	Fixed costs	4000	4000	4000		Other costs	5000	5200	5900		Total Payments	11000	11700	13500		Net cash flow	-1000	-3200	1500	(1)	Opening balance	500	-5000	-3700	(1)	Closing balance	-500	-3700	-2200	(4)	
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Question Number	Answer	Mark
6	B	(1)

Question Number	Answer	Mark
7	C, E, F	(3)

Question Number	Answer	Mark
8	B, E	(2)

Question Number	Answer	Mark
9	A, C	(2)

Question Number	Answer	Mark
10	D, E	(2)

Question Number	Answer	Mark
11	C	(1)

Question Number	Answer	Mark
12	C, E	(2)

Question Number	Answer	Mark
13	A, D	(2)

Question Number	Answer	Mark
14	B, D	(2)

Question Number	Answer	Mark
15	B	(1)

Question Number	Answer	Mark
16	C, E	(2)

Question Number	Answer	Mark
17	C	(1)

Question Number	Answer	Mark
18	C	(1)

Question Number	Answer	Mark
19	B	(1)

Question Number	Answer	Mark
20	i=e, ii=a, iii=h, iv=f, v=g	(5)

Edexcel GCSE

Business Studies, Business Communications, Business Studies and Economics, Business Studies (Short Course)

Unit 2: Investigating Small Business

Sample Controlled Assessment Material

Paper Reference

5BS02/01

You do not need any other materials.

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Exemplar Controlled Assessment Tasks for Unit 2 GCSE Business Studies, GCSE Business Communications, GCSE Business Studies and Economics, and Business Studies (Short Course).

Unit 2 is assessed by Controlled Assessment (internal assessment).

Teachers will be responsible for supervising the students' research and will also be responsible for supervising the writing up of the tasks, together with the marking of the work.

It is suggested that the time allowed for **research is approximately two weeks of curriculum time (maximum of 6 hours)**. The research - information/data collection can be done under limited control.

Students will be allowed to use their research folders in the writing up of their task. It will be the responsibility of the teacher to keep the research folders securely between research sessions, and before the writing up session. The folders will be given to the students at the beginning of the **writing up session**, which should be **approximately one week of curriculum time (maximum of 3 hours)**.

The controlled assessment element of the qualification is centred round the encouragement of students to carry out research and investigation on an element of Unit 2 of the specification. They have to produce a piece of work based on the investigation carried out, and framed by a task that is designed to encourage the higher order skills of analysis and evaluation (AO3).

The students can choose any **one** task from the list below. It is appropriate for students from a centre to submit work from across the list of tasks. This list will change annually.

Students choose the task they wish and the centre will help guide candidates to finding an appropriate business to research and on which to base their investigation.

The business could be local and should ideally, but not exclusively, be a small business. This allows the centre to contextualise the tasks set.

The results of the research and investigation carried out by the students will be collected together in a research folder and will be kept securely by the centre at all times.

The folder will be given to the students and used in the writing up for submission.

The final writing up will be done under a high level of control. Students will have a designated session(s) - approximately 3 hours in total, in which to complete the writing up which will be subject to formal supervision and thus a high level of control.

The students will submit their research folder with the writing up, for assessment.

ALL tasks will focus on the following key areas:

- Research information/data
- Present researched information/data
- Analyse presented information/data
- Evaluate the task using the analysis of the presented information/data.

List of tasks

Choose **one** of the tasks below.

Task 1

What are the most important qualities that an entrepreneur needs to possess, in order to start up and run a business successfully?

You could:

- Identify a local entrepreneur
- Research entrepreneurs (gather information/data)
- Design a questionnaire or set of questions to ask a local entrepreneur (questionnaire if entrepreneur does not visit the school, list of questions (interview) if entrepreneur does visit the school) to explore the relevant qualities of the entrepreneur
- Collect useful information/data
- Present useful information/data
- Analyse the presented information/data
- Evaluate the task using your analysis.

Task 2

What is the most important way in which a business you have chosen, competes with its rivals?

You could:

- Choose a local business that has at least one competitor in the locality
- Research the competing businesses (gather information/data)
- Collect useful information/data
- Present useful information/data
- Analyse the presented information/data
- Evaluate the task using your analysis and suggest improvements.

Task 3

What is the most important way in which a business you have chosen motivates its workers?

You could:

- Choose a local business and investigate its human resources management
- Research HR management policies/processes/techniques (gather information/data)
- Collect useful information/data
- Present useful information/data
- Analyse the presented information/data
- Evaluate the task using your analysis and suggest improvements.

Task 4

What is the most important element of the marketing mix to a business you have chosen?

You could:

- Investigate the marketing mix of a local business of your choice
- Research the marketing mix of the business (gather information/data)
- Collect useful information/data
- Present useful information/data
- Analyse the presented information/data
- Evaluate the task using your analysis and suggest improvements.

Task 5

To what extent have recent changes in interest rates affected the business you have chosen to investigate?

You could:

- Investigate how interest rate changes are affecting a local business of your choice
- Research interest changes and their impact (gather information/data)
- Collect useful information/data
- Present useful information/data
- Analyse the presented information/data
- Evaluate the task using your analysis.

Assessment criteria

For the selected task teachers must mark students' work using the assessment criteria specified below. Teachers should check carefully that students' work is their own and that it is not copied from research material without any attempt to put the material into their own words.

Each task should be awarded a mark out of 12 in the research and analysis strands, and a mark out of 8 in the present information/data and evaluation strands. The total mark is 40.

Research	
Mark range	Descriptor
0	Level of response not worthy of credit.
1–3	Research from one source using limited selectivity and focus.
4–6	Research from more than one source showing some selectivity and focus.
7–9	Research from a range of sources showing good selectivity and focus.
10–12	Detailed, relevant research from a wide range of sources together with high-quality organisation of materials and focus.

Present information/data	
Mark range	Descriptor
0	Level of response not worthy of credit.
1–2	Data/information is presented in a very basic format with little attention to detail.
3–4	Data/information is presented using a limited range of methods and shows some attention to detail.
5–6	Data/information is presented clearly using the appropriate methods with good attention to detail.
7–8	Data/information is presented in a range of appropriate methods with high levels of attention to detail.

Analysis*	
Mark range	Descriptor
0	Level of response not worthy of credit.
1–3	Basic analysis of presented information/data showing limited understanding of issues. Quality of written communication will be poor with frequent spelling, punctuation and grammar errors and the style of writing will not be appropriate to the subject matter.
4–6	Simple analysis of presented information/data showing some understanding of key issues. Quality of written communication will be basic with some spelling, punctuation and grammar errors and the style of writing will be appropriate to the subject matter. However, it will not be used as confidently as a response that merits 7-9 marks.
7–9	Analysis is detailed and relevant, uses presented information/data well and shows clear understanding of key issues. There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter. However, it will not be used as confidently as a response that merits 10-12 marks.
10–12	Excellent analysis of the presented information/data, resulting in a well-constructed commentary. Quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard.

Evaluation*	
Mark range	Descriptor
0	Level of response not worthy of credit.
1–2	Limited evaluation of the task with little or no supporting evidence or value judgements. Quality of written communication will be poor with frequent spelling, punctuation and grammar errors and the style of writing will not be appropriate to the subject matter.
3–4	Some evaluation, some weighing of evidence and simple value judgements making use of supporting evidence. Some suggestions for improvements identified, where appropriate to task. Quality of written communication will be basic with some spelling, punctuation and grammar errors and the style of writing will be appropriate to the subject matter. However, it will not be used as confidently as a response that merits 5-6 marks.
5–6	Clear evaluation using the analysis of the research gathered. Relevant value judgements made with some supporting evidence. Feasible suggestions for improvements made, where appropriate to task. There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter. However, it will not be used as confidently as a response that merits 7-8 marks.
7–8	A developed evaluation of the evidence analysed to address the task. Relevant value judgements made with detailed supporting evidence. Detailed suggestions for improvements made and/or further work, where appropriate to task. Quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard.

* Indicates opportunity for students to be assessed on Quality of Written Communication – Strands (i), (ii) and (iii):

Students will be assessed on their ability to:

- (i) write legibly, with accurate use of spelling, grammar and punctuation in order to make the meaning clear
- (ii) select and use a form and style of writing appropriate to purpose and to complex subject matter
- (iii) organise relevant information clearly and coherently, using specialist vocabulary when appropriate.

Marks for the selected task should be recorded on the Controlled Assessment Record Sheet – a draft example of this can be found in *Appendix 4* of the specification.

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCSE

Business Studies

Unit 3: Building a Business

Sample Assessment Material

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 with your spelling, punctuation and grammar, as well as the clarity of expression, on these questions.*

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 indicate your new answer with a cross ☒.

- 1 (a) The encouragement of repeat purchase ensures that products will be sold on a regular basis. (1)

Select **one** answer.

Repeat purchase is important because it:

- A allows a business to develop brand loyalty amongst its customers
- B helps to determine the selling price of a product
- C will help in the negotiation for lower priced raw materials
- D helps develop word of mouth advertising

- (b) Identify **three** ways in which a business might increase the likelihood of repeat purchase. (3)

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3.....

(c) Identify **one** way in which a business might collect quantitative market research data.

(1)

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(d) Explain how market research data might benefit a business.

(3)

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(Total for Question 1 = 8 marks)

2 (a) Claire Weller has been promoted from Assistant Supervisor to Shift Manager. She has been given an increase in her salary. (1)

Which of the following best describes the term **salary**?

Select **one** answer.

- A A method of payment based on an annual figure which is paid monthly
- B A payment system based on the amount of units a worker produces
- C The payment given to workers in lieu of holiday
- D The financial reward gained from work

(b) State **two** possible drawbacks to an employee of a piece-rate system of payment. (2)

1

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(c) (i) Identify **one** way a business might use to motivate its employees. (1)

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(ii) Explain how this way might lead to an increase in motivation. (3)

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(iii) Explain how poor motivation can affect productivity in a business.

(3)

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(Total for Question 2 = 10 marks)

3 (a) The Boston Matrix is a highly valuable business tool because it:

Select **one** answer.

(1)

- A allows businesses to identify key market segments
- B lets managers know of impending stock problems
- C lets businesses understand the needs and wants of their customers
- D helps businesses understand how their products are doing

(b) Identify **two** elements of the Boston Matrix.

(2)

1.....

2.....

(c) (i) What is meant by the term **product portfolio**?

(1)

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(ii) Explain how managing a product portfolio can benefit a business.

(3)

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(iii) Describe the role of branding in a business.

(3)

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(Total for Question 3 = 10 marks)

4 (a) Which of the following is **not** a key factor in effective stock management?

Select **one** answer.

(1)

- A The necessity for a thorough stock check at regular intervals
- B The effective training of all staff involved in stock handling
- C The static demand levels for products by customers
- D The need for the right level of buffer stock

(b) Identify **two** possible benefits of effective stock control to a business.

(2)

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(c) Explain how using Just-in-Time stock control might not benefit a business.

(3)

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SECTION B

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

Read the following passage carefully and then answer questions 5 to 7.

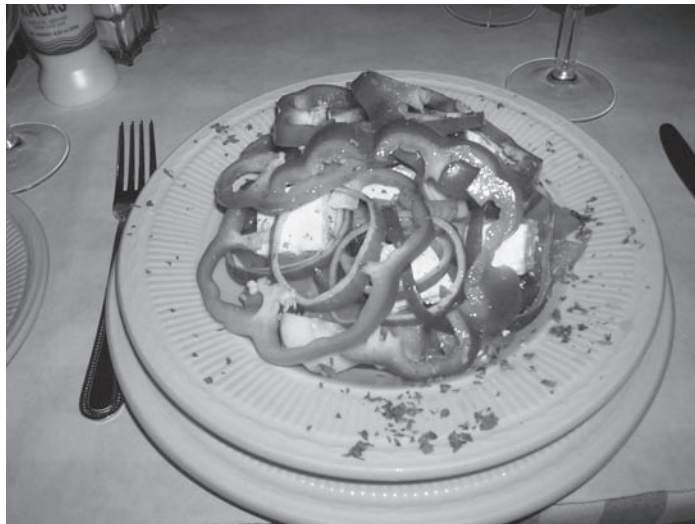
Jason and Balvir are planning to set up a restaurant in London. The restaurant scene in London is growing with a current total of 6,978 restaurants. This is continuing to rise with many new restaurants starting up each year. Equally, there are many who do not succeed and close within the first year.

Jason has been involved in catering now for over ten years and has come into contact with many restaurant owners, suppliers and customers. He has established many contacts and can draw from their knowledge to make the business a success.

Balvir has other qualities. She has experience in people management and human resources.

They have stressed that they are not looking to take on the likes of top chefs, such as Gordon Ramsay, (just yet!) and would like to start off relatively simply with a manageable restaurant that seats up to 60 people, serving good quality Mediterranean food.

Jason adds " ... as long as we get the marketing mix right and don't make any risky decisions then I think we are onto a winner".

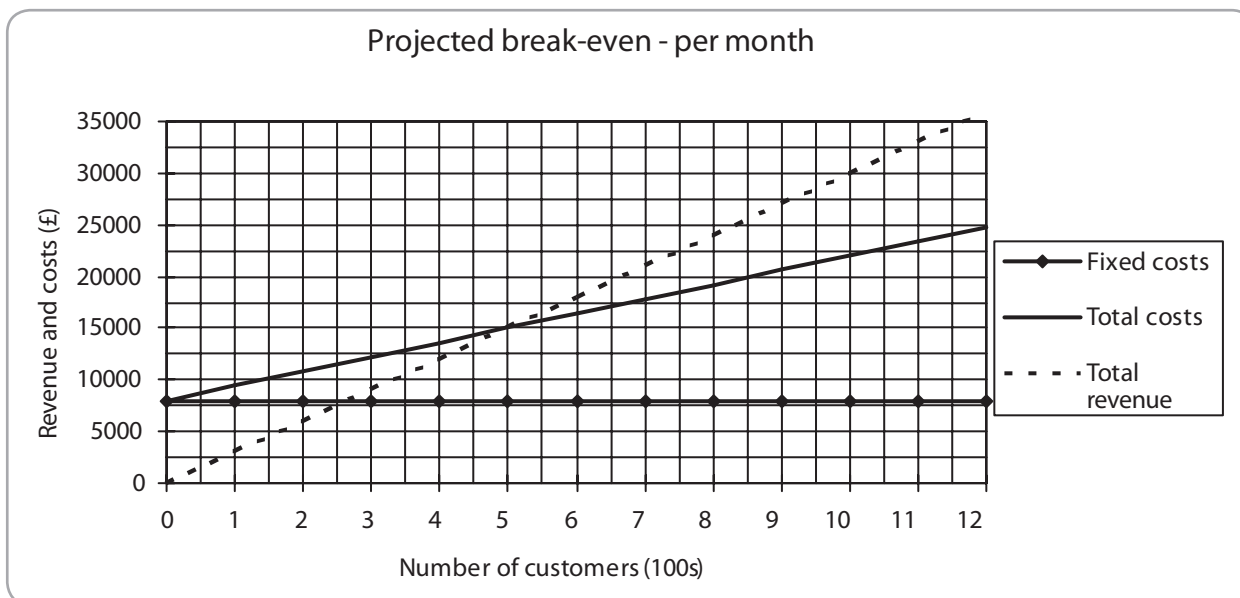


Jason and Balvir have decided to use break-even analysis as part of the planning for their business. They are planning to offer a set menu for a price of £30.

They have estimated their costs as:

- fixed costs = £8000
- variable costs are £14 per set menu

Balvir constructs the break-even chart below.



5 (a) Define the term **break-even point**.

(1)

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(b) Using the graph above, how many customers do Jason and Balvir need to break even each month?

(1)

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(c) What would be the monthly revenue earned by Jason and Balvir if they served 1000 customers a month? (1)

(d) What would be the profit or loss in pounds (£) if 650 customers were served? (1)

(Total for Question 5 = 4 marks)

6 (a) Jason thinks they should charge a price of £35 for the set menu.
Calculate the new break-even point. Give the formula and show your workings. (4)

New break-even point: _____

(b) (i) Define the term **margin of safety**. (1)

(ii) Explain the relevance of margin of safety to Jason and Balvir's business.

(3)

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*(c) Jason believes that they should charge a price of £35 for the set menu.
Balvir thinks £30 would be a more appropriate price.

In your opinion, which price would be more likely to help the business to survive the first year? Justify your answer.

(8)

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(Total for Question 6 = 16 marks)

7 (a) Identify **two** elements of the **marketing mix**.

(2)

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*(b) Jason and Balvir will seek to increase their competitive advantage when they open the restaurant.

Assess how improved customer service could help them achieve this.

(8)

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Blank lined area for writing answers.

(Total for Question 7 = 10 marks)

TOTAL FOR SECTION B = 30 MARKS

SECTION C

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

Read the following passage carefully and then answer questions 8 to 11.

Marks & Spencer is looking towards a greener future.

Marks & Spencer (M&S) recently announced a long-term plan to develop its environmental policies with the intention of becoming a 'greener' retailer. It is aiming to:

- make its operations carbon neutral
- reduce to zero the amount of waste it sends to landfill
- become a more ethical trader
- promote healthy living.

Risk to M&S

It is clear that there is a significant level of risk for M&S. It is estimated that the plan will cost M&S £200million over five years. The retail market is highly competitive and businesses cannot be seen to be charging higher prices than their rivals. Stuart Rose, the chief executive of M&S, believes that a responsible business can be a profitable business. He is confident that a greener and more planet-friendly image will generate additional sales.

Reaction of the customer

M&S claims that 97% of its 15 million customers want M&S to be more ethically responsible.

The strategy may well pay off but it all depends on the price. If M&S can achieve its aims without having to pass on the cost to customers in the form of higher prices, then M&S may well be onto a winner.

8 What is meant by the term **ethics** in business?

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(Total for Question 8 = 2 marks)

9 Give **two** effects on the environment of a business's activities.

1
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(Total for Question 9 = 2 marks)

10 Explain **two** reasons why businesses such as M&S, may be able to charge higher prices for products which are produced in a more ethically responsible way.

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(Total for Question 10 = 6 marks)

***11** Stuart Rose believes that a responsible business can be a profitable business.
Using your knowledge of business, to what extent can a business like M&S be ethically responsible **and** profitable. Justify your answer.

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(Total for Question 11 = 10 marks)

TOTAL FOR SECTION C = 20 MARKS

TOTAL FOR PAPER = 90 MARKS

Unit 3: Building a Business

Section A

Question Number	Answer	Mark
1(a)	A	(1)

Question Number	Answer	Mark
1(b)	<p>1 mark for each appropriate response</p> <p>Possible answers include:</p> <ul style="list-style-type: none">• the product must meet or exceed customer expectations• the brand should match the image of the customer• the product should seem to offer value for money• the product should be made to feel as if the customer cannot live without it• the product needs to be able to satisfy a customer's need or want• the product could satisfy more than one need or want (dual purpose) <p>(1x3)</p>	(3)

Question Number	Answer	Mark
1(c)	<p>Possible answers include:</p> <ul style="list-style-type: none">• questionnaires• surveys• tally count• observation• answers with a scale response (ie Likert)	(1)

Question Number	Answer	Mark
1(d)	<p>For 3 marks development will clearly show the benefits of market research outlined in the marking points below. For 1 mark, the benefits will be limited and simplistic in nature, stating what rather than what and why.</p> <p>These links will include:</p> <ul style="list-style-type: none"> • A company will be able to find out how many people are interested in its product/might be willing to buy it • The discovery of the price that people are willing to pay • The ability to understand how often people would buy the product • The type of people who would buy the product • The type of marketing that it would need to use • The image that the product portrays 	(3)

Question Number	Answer	Mark
2(a)	A	(1)

Question Number	Answer	Mark
2(b)	<p>1 mark for each appropriate reason</p> <p>Appropriate reasons could include:</p> <ul style="list-style-type: none"> • Quality levels may fall due to the desire to produce more for more pay • It is harder to administrate due to regular calculation of output • Employees may worry about losing pay if sales or production is lowered, leading to lower motivation • Employees may become angry if productivity (and therefore pay) is lowered because of the actions of other employees, management, or by external forces; as they will be losing money and not be able to do anything about it • Firms have to spend more on quality control • Workers do not get paid for work that is rejected or has to be corrected <p style="text-align: right;">(1x2)</p>	(2)

Question Number	Answer	Mark
2(c)(i)	<p>Possible answers include:</p> <ul style="list-style-type: none"> • Wage increase • Bonus scheme • Training • Free lunch • Free tea or coffee • Staff vehicle • Discounted travel • Better working conditions • Uniform • Discounts on products 	(1)

Question Number	Answer	Mark
2(c)(ii)	<ul style="list-style-type: none"> • Do not give a mark for a repetition of the motivation point. • For 3 marks, development will focus on how the motivator helps the business to motivate the employee. There will be clear evidence of a link being made between the motivator and how this actually motivates and appropriate terminology will be used, eg '<i>If a business provides lunch the employee will feel looked after and will be more willing to work harder. They will be more likely to enjoy working at the company</i>' is an example of how such development would look for 3 marks. • For 1 mark, the development will be simple with little use of appropriate terms; eg '<i>A free lunch will mean that the staff member is happier</i>'. 	(3)

Question Number	Answer	Mark
2(c)(iii)	<ul style="list-style-type: none"> • For 3 marks development will clearly show the effects of poor motivation on productivity outlined in the marking points below. • For 1 mark the effects will be limited and simplistic in nature, stating what rather than what and why. <p>These links will include:</p> <ul style="list-style-type: none"> • Staff may be less willing to work hard • Employees may take less care in their work and therefore quality reduces • Wastage may rise • Staff are less willing to undertake extra work • Orders may not be fulfilled • Average cost per unit may rise • Staff may not come up with new ideas to improve the way they work 	(3)

Question Number	Answer	Mark
3(a)	D	(1)

Question Number	Answer	Mark
3(b)	<p>1 mark for each appropriate element.</p> <p>Four elements of the Boston Matrix are:</p> <ul style="list-style-type: none"> • Cash cows • Stars • Problem child(ren)/Question Marks • Dogs <p style="text-align: right;">(1x2)</p>	(2)

Question Number	Answer	Mark
3(c)(i)	The range or combination of products or services a business sells.	(1)

Question Number	Answer	Mark
3(c)(ii)	<p>For 3 marks, development will clearly show the benefits of a managed product portfolio outlined in the marking points below.</p> <p>For 1 mark, the benefits will be limited and simplistic in nature, stating what rather than what and why.</p> <p>These links will include:</p> <ul style="list-style-type: none"> • The company knows at what stage of the product life cycle its products are • It will know whether the products are dogs, stars, cash cows or problem children • It will be able to understand the levels of revenue the products should be generating • Cost to the business may be determined • The likely level of advertising for the products will be understood • The company will be able to see if it needs to develop any new ideas • Likewise the company will be able to know if it needs to get rid of any products • Costs may be saved 	(3)

Question Number	Answer	Mark
3(c)(iii)	<p>For 3 marks, development will clearly show the disadvantages of just-in-time stock control to a business outlined in the marking points below. For 1 mark, the disadvantages will be limited and simplistic in nature, stating what rather than what and why.</p> <p>These links will include:</p> <ul style="list-style-type: none"> • A greater risk of running out of stock • The risk of disappointing customers through a lack of choice • Poor judgement about the level of stock needed will result in problems • Smaller purchases can lead to lower discounts (lower bulk buying economies of scale) • More reliance on the firms supplying the stocks, if they fail to deliver then problems occur 	(3)

Question Number	Answer	Mark
4(a)	C	(1)

Question Number	Answer	Mark
4(b)	<p>1 mark for each appropriate benefit</p> <p>Appropriate benefits could include:</p> <ul style="list-style-type: none"> • Reduction in costs as less stock is held • Opportunity cost to spend the resources on something else • Less need for space to hold stocks in • More regular stock deliveries means fresher stock for use • Less capital tied up in stocks • Stocks are available for use at all times • Customers will get the best possible choice due to availability <p>(1x2)</p>	(2)

Question Number	Answer	Mark
4(c)	<p>At the top end of the mark range development will focus on the links between implementing a JIT system and problems that a business might face.</p> <p>There will be clear evidence of links being made. Good development will include appropriate terminology.</p> <p>Examples of the sort of development that make such links include: 'JIT requires very close relationships with suppliers to work (1), if these relationships break down the business faces disruption on a large scale to its operations (1). For some businesses, the systems needed to develop JIT can increase its costs but the benefits can be minimal (1). Having a JIT system means that every part of the workforce must be committed (1) - labour will have to accept that they need to be able to switch tasks to remain flexible and this can increase training costs and have consequences for motivation' (1).</p> <p>At the lower end of the mark range the development will be more simplistic and the link not so clear: 'JIT requires lots of suppliers who can deliver and this might be not be easy' (1) will be typical of this sort of simplistic development.</p>	(3)

Question Number	Indicative content	
4(d)	<p>The aim is for candidates to be able to make a judgement of which method they believe would be the more successful and then offer some explanation of how the method selected would lead to improved quality thus demonstrating some analytical skills. There is no 'right' answer here; answers may consider:-</p> <p>Quality control</p> <ul style="list-style-type: none"> • Managers put controls in place • Workers rarely feel part of it • Workers feel it is a criticism of them • A lot of wastage - eg Gordon Ramsey's 100% inspection system • Most systems flawed - put lid on problem not solve it <p>Quality Culture</p> <ul style="list-style-type: none"> • Embraces/includes all staff • Improves motivation of staff • Improves staff satisfaction too • Takes time to establish and change a business culture <p>Better answers may conclude after giving reasons in favour of one or other method, that a combination of both methods, is probably the best.</p>	
Level	Mark	Descriptor
No mark	0	Non-rewardable material.
Level 1	1 - 2	A judgement is made with a simple statement in support only. <i>A Quality Culture embraces/includes all staff.</i>
Level 2	3 - 4	A judgement will be made but at the lower level the support for the judgement made will be weak and lacking in detail. There will be only one method mentioned in this level although well developed support for the judgement with evidence of evaluation of the method chosen could get to the top of the level. Such an answer is likely to use appropriate terminology and show a clear understanding of the way in which the method will effectively increase quality.
Level 3	5 - 6	At top of level both methods will be referred to and there will be clear development of both points in relation to each other. The judgement made will be well supported and there will be clear evidence of evaluative comment relating to both.

Section B

Question Number	Answer	Mark
5(a)	A company's sales cover costs without making any profit (1) The point at which average costs equal average revenue (1)	(1)

Question Number	Answer	Mark
5(b)	500	(1)

Question Number	Answer	Mark
5(c)	£30,000	(1)

Question Number	Answer	Mark
5(d)	£24,00 profit	(1)

Question Number	Answer	Mark
6(a)	<p>Break-even = $\frac{\text{fixed costs}}{\text{contribution per unit}}$ (1x1)</p> <p><i>therefore</i></p> <p>Fixed costs = £8000 Variable costs = £14 per unit Contribution = £35-£14 = £21</p> <p><i>therefore</i></p> <p>Break-even = $\frac{£8000}{£21}$ (1x1)</p> <p><i>therefore</i></p> <p>Break-even = 380.9 (1x1)</p> <p><i>therefore</i></p> <p>Break-even = 381 set menus (1x1)</p>	(4)

Question Number	Answer	Mark
6(b)(i)	The quantity sold above the break-even point where the business makes a profit.	(1)

Question Number	Answer	Mark
6(b)(ii)	<p>For 3 marks, development will clearly show the relevance of a margin of safety to the business outlined in the marking points below. For 1 mark, the relevance will be limited and simplistic in nature, stating what rather than what and why.</p> <p>These links will include:</p> <ul style="list-style-type: none"> • The margin of safety shows Jason and Balvir how many set menus the need to sell in order to be profitable • It shows them how far demand can fall before losses are incurred • It will allow them to gauge whether they have the capacity to develop new products using the profit made • They can use the information to persuade banks to lend them further capital • They can use the data to assess whether their sales targets are realistic. 	(3)

Question Number	Indicative Content	
6(c) QWC Strands (i), (ii) and (iii)	The aim is to encourage evaluation so look for reference to profit margins, levels of sales, added value and value for money. Expect to see cross evaluation of both prices at the top end of the mark range. We will be expecting candidates to be able to make a judgement of which price they believe would be the more effective in survival of the business. There will be some explanation of how the price selected would be more successful so demonstrating some analytical skills. Candidates demonstrating evaluation skills will be those that can place some importance or value on the price chosen in survival of the business - for example stating how the price chosen gives more opportunity for the business to sell more meals. In addition some candidates might use the 'it depends' approach to offer some evaluative comment. There is no 'right' answer here; the quality of the evaluation is the key to the answer.	
Level	Mark	Descriptor
No mark	0	Non-rewardable material. No mark is to be awarded if the candidate merely lists one of the prices, eg '£35'.
Level 1	1 - 2	A judgement will be made with a simple supporting statement only. ' <i>The price of £35 is better as it will bring in more profit per meal sold.</i> ' The quality of written communication will be poor with frequent spelling, punctuation and grammar errors and the style of writing will not be appropriate to the subject matter.

Level 2	3 - 5	A judgement will be made but at the lower level the support for the judgement made will be weak and lacking in detail. There will be only one price mentioned in this level although well developed support for the one price chosen could get to the top of the level. Such an answer is likely to use appropriate terminology and show a clear understanding of the way in which the price will affect the survival of the business. There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter; however its use will not be as confidently used as that in Level 3.
Level 3	6 - 8	At the top of the level both prices will be referred to and there will be clear development of both in relation to each other. The judgement made will be well supported. There will be clear evidence of some evaluative comment on both ways given. The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard.

Question Number	Answer	Mark
7(a)	1 mark for each appropriate element. The four elements of the 'Marketing Mix' are: <ul style="list-style-type: none"> • Product • Price • Place • Promotion 	(2)

Question Number	Indicative Content
7(b) QWC Strands (i), (ii) and (iii)	This is a clear assessment question so at the top end of the mark range look for both advantages and disadvantages to the business. There will be reference to, amongst others, added value, efficiency, brand image, costs, levels of sales, repeat purchase, consumer prices and value for money. We will be expecting candidates to be able to make judgement on which areas are more important than others in adding to competitive advantage of the business. There will be some explanation of how these areas selected would be more successful so demonstrating some analytical skills. Candidates demonstrating evaluation skills will be those that can place some importance or value on the price chosen in survival of the business - for example stating how customer service adds to quality levels thus giving an increased opportunity for the business to move ahead of its rivals. In addition some candidates might use the 'it depends' approach to offer some evaluative comment. There is no 'right' answer here; the quality of the evaluation is the key to the answer.

Level	Mark	Descriptor
No mark	0	Non-rewardable material. No mark is to be awarded if the candidate merely states that customer service leads to an increased competitive advantage.
Level 1	1 - 2	A judgement will be made with a simple supporting statement only. ' <i>Customer service adds to competitive advantage through an increase in the levels of service provided to the consumer, therefore giving the customer increased value for money.</i> ' The quality of written communication will be poor with frequent spelling, punctuation and grammar errors and the style of writing will not be appropriate to the subject matter.
Level 2	3 - 5	A judgement will be made but at the lower level the support for the judgement made will be weak and lacking in detail. There may be only one or two effects of customer service mentioned in this level although well developed support for these could get to the top of the level. Such an answer is likely to use appropriate terminology and show a clear understanding of the way in which customer service will affect the competitive advantage of the business. There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter; however its use will not be as confidently used as that in Level 3.
Level 3	6 - 8	At the top of the level several effects of customer service will be referred to and there will be clear development of these in relation to each other. The judgement made will be well supported. There will be clear evidence of some evaluative comment on both ways given. The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard.

Section C

Question Number	Answer	Mark
8	Ethics are a set of moral principles (1). In business this usually refers to whether a firm's actions are morally acceptable eg not dumping waste at sea (1).	(2)

Question Number	Answer	Mark
9	1 mark for each appropriate effect Appropriate effects could include: <ul style="list-style-type: none"> • Pollution of the seas • Pollution of the air and its quality • Reduction of rain forests • Reduction in wildlife levels • Global warming • Adding to landfill 	(1x2) (2)

Question Number	Answer	Mark
10	1 mark for each reason and up to 2 marks for development of the benefit. Possible answers may include: <ul style="list-style-type: none"> • M&S customers may feel that the higher price on the shelf is reflected in additional payments to producers (1), which go some way towards securing a better deal for them (1) leading to a higher standard of living (1). • M&S customers may feel 'justified' in paying a higher price (1) as they know that this is helping the producers to survive and thrive in a competitive market (1), allowing them to compete on a more level playing field (1). • M&S customers may wish to make a statement about their social conscience (1) towards the people they come into contact with, such as friends, family or work colleagues (1), allowing them to feel as if they are helping address the imbalance between small and large companies (1). • M&S customers may feel that they are doing something for the environment (1). They feel as if they are helping save the planet (1) by buying and using products which are less harmful to the natural world and reduce pollution (1). <p>Good development worthy of the full 2 marks will be characterised by the ability to relate the reason to the businesses objectives of aiming to become more ethical and the use of appropriate</p>	

	terminology. Limited development will be of the type: 'because people think it is better quality'. (2x3)	(6)
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Question Number	Indicative Content	
11 QWC Strands (i), (ii) and (iii)	<p>It should be clear to all students that Marks and Spencer is a long established and well regarded large high street retailer. Their long-term environmental plan and the amount of money they are willing to spend achieving their aims shows a high degree of commitment.</p> <p>As a large high street company Marks and Spencer have the option to reduce their profit margins to cope with the planned cost of such a momentous project and still retain the ability to make profit.</p> <p>Those who may object to the plan are the shareholders. They will clearly want to see a return on their investment and this may reduce the dividend that they receive. This said, the reputation of the company could be enhanced with the project which, in turn, may lead to a rise in the share price, satisfying the shareholder but only if they sell their shares.</p> <p>The marketing campaign for the ethical plan would inform actual and potential customers of the move and could entice them into shopping at Marks and Spencer for goods thus increasing the revenue stream.</p> <p>As a large firm Marks and Spencer enjoys good economies of scale and could seek to reduce its production costs even further. The danger in this is that it could damage quality or reputation by being seen to 'squeeze' the producers of goods. This could have a negative effect on the company's image.</p> <p>There is a clear instruction to justify the answer given and this should be undertaken to reach the top end of the mark scheme.</p>	
Level	Mark	Descriptor
No mark	0	Non-rewardable material. No mark is to be awarded if the candidate merely rewrites a list of the aims of Marks and Spencer, or answers simply with a 'yes it is possible' or 'no it is not possible'.
Level 1	1 - 4	Answers in this level might be little more than one sentence or a response which has limited development. Evidence of evaluation will be highly limited apart from perhaps a very simplistic judgement with no support offered or limited development of the type 'it is a big company and can afford it'. Bullet point lists will get 3 marks maximum (assuming they are all relevant points). The quality of written communication will be poor with frequent spelling, punctuation and grammar errors and the style of writing will not be appropriate to the subject matter.
Level 2	5 - 7	A sound response that will be well balanced but not have as much sophistication or depth of development as that at Level 3. At the top end of this level, the sense of balance will be present but the conclusion may be limited or indeed there may be no conclusion at all. At the lower end of this level the answer may well be less

		<p>balanced with more being written in support of the absorption of the higher costs.</p> <p>There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter; however its use will not be as confidently used as that in Level 3.</p>
Level 3	8 - 10	<p>A clear argument which is balanced and evaluates both the argument for and against the possibility of absorbing the higher costs. The answer will use appropriate terminology, concepts and methods. At the very top end a conclusion will be offered that draws on the previous information and is well supported. At the lower end a conclusion might lack development and be a re-statement of that already written. The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence of evaluation in the answer.</p>

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCSE

Business Communications

Unit 4: Business Communications

Sample Assessment Material

Time: 1 hour 30 minutes

Paper Reference

5BS04/01

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 with your spelling, punctuation and grammar, as well as the clarity of expression, on these questions.*

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 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 (a) Which of the following suggests that a message has been successfully communicated?

(1)

Select **one** answer.

- A** The sender handed the receiver the message personally
- B** The receiver was able to access the voice mail message left on her mobile phone
- C** The sender got some feedback from the receiver regarding the message
- D** The message was sent by e-mail

- (b) Identify **three** possible barriers to successful communication.

(3)

1

2

3

(c) (i) Identify **one** effect of good communication for a business.

(1)

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(ii) Explain how this effect might benefit a business.

(3)

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(Total for Question 1 = 8 marks)

2 Businesses use a variety of methods to communicate with their employees for different reasons.

(a) Which of the following would be the most appropriate communication medium for a business to use when it is conducting staff appraisals?

(1)

Select **one** answer.

- A** Use an online form to maintain confidentiality
- B** Arrange a teleconference with the member of staff at their home
- C** Bring a small group of employees together to discuss the issues arising
- D** Arrange a one-to-one meeting with the employee

(b) (i) State **two** possible reasons why a business would want a prospective employee to produce a curriculum vitae (CV).

(2)

1

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2

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(ii) Identify **one** reason why the layout of a CV is important.

(1)

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(iii) Explain how this reason will help an employer in the recruitment process for a new employee.

(3)

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(c) Describe **one** type of written medium a business might use to communicate with its employees.

(3)

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(Total for Question 2 = 10 marks)

3 (a) Many businesses now use videoconferencing as a means of communicating with other people in the organisation.

(1)

Select **one** answer.

This is because:

- A** videoconferencing can help save time and reduce costs
- B** most managers enjoy using new gadgets
- C** videoconferencing shows that the business is a part of the globalisation process
- D** the use of technology shows its colleagues that the business is forward looking

(b) State **two** disadvantages of using videoconferencing.

(2)

1

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2

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(c) (i) What is meant by a circular organisation chart?

(1)

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(ii) Explain how a circular organisation structure might improve communication within a business.

(3)

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(iii) Explain how a hierarchical organisation might make communication within a business more difficult.

(3)

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(Total for Question 3 = 10 marks)

Read the passage below carefully and then answer the following question that relates to the passage.

Email has become a common method of communication for businesses. It is used to communicate with all its stakeholders. Some businesses are concerned that email might create problems for the business.

4 (a) Which of the following would **not** be an appropriate use of email in a business? (1)

Select **one** answer.

- A Sending a message to a team notifying them of a change to a meeting room
- B Sending round a joke to all staff by one of the managers
- C A manager sending some sales figures to one of her team who is abroad
- D A message to all staff informing them of the appointment of a new member of staff

(b) State **two** possible disadvantages of using email in a business. (2)

1

2

(c) Explain how the use of email might be of benefit to a business.

(3)

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(Total for Question 4 = 6 marks)

Read the passage below carefully and then answer the following question that relates to the passage.

The Nectar Card and the Tesco Club Card are two examples of loyalty cards. Using them enables the shopper to collect points which can be redeemed against future purchases. They give businesses useful information about customer shopping habits enabling them to create individual customer profiles.

Businesses, like *Tesco*, also use advertising extensively; such as on TV, in newspapers, billboards, on the radio, in cinemas, in fact, almost anywhere where consumers are likely to see the message!

5 Adverts and loyalty cards are two means by which a business communicates with its customers.

Which of these do you think would be the more successful in increasing sales and why?

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(Total for Question 5 = 6 marks)

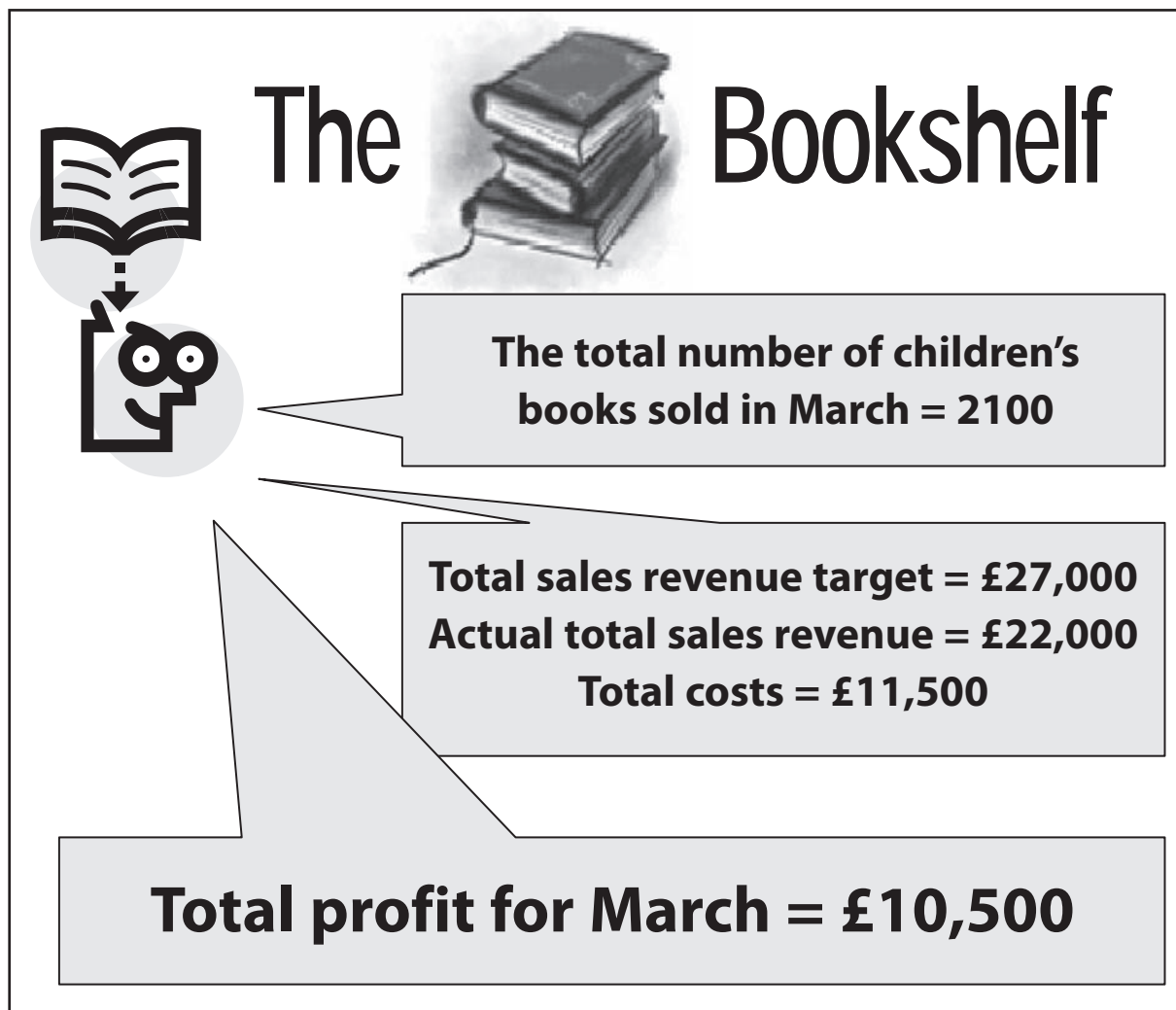
TOTAL FOR SECTION A = 40 MARKS

SECTION B

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

Read the following passage and then answer question 6.

Alan is a sales manager at *The Bookshelf* Bookshop. The sales team responsible for children's books has been asked to attend a meeting to discuss more effective ways of meeting their sales targets. Alan has decided to begin the meeting by giving a presentation reporting on the performance of the business in the month of March. He has decided to use a slide show. The slide below is one from his presentation.



6 (a) Identify **two** reasons why Alan used a slide show for his presentation and explain how these two reasons would increase the likelihood of the success of the communication of the message to his audience.

Reason 1

(1)

Explanation

(3)

Reason 2

(1)

Explanation

(3)

(b) Identify to the sales manager **one** disadvantage of using a slide show for the presentation. For the disadvantage, explain the likely effect on the audience.

Disadvantage

(1)

Explanation

(3)

(Total for Question 6 = 12 marks)

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(Total for Question 7 = 8 marks)

8 Outline how a logo helps a business communicate.

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(Total for Question 8 = 2 marks)

***9** Advertising is something most businesses will carry out. A leaflet is an example of a form of advertising.

Evaluate the use of a word processing package rather than a DTP package when producing a business leaflet.

A series of horizontal dotted lines for writing the answer.

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(Total for Question 9 = 8 marks)

TOTAL FOR SECTION B = 30 MARKS

SECTION C

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

Read the following passage and then answer questions 10 and 11.

TWJ Sports



TWJ Sports are a high street sports clothing retailer. Currently, they have branches in five different high streets in Middlesex. They are looking into setting up a website that will allow customers to purchase some of their products online.

10 What is meant by the term '*domain name*' ?

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(Total for Question 10 = 2 marks)

11 Identify two possible benefits to a business, such as *TWJ Sports*, of having a website.

For each benefit, explain how it would help *TWJ Sports*.

Benefit 1

(1)

Explanation

(3)

Benefit 2

(1)

Explanation

(3)

(Total for Question 11 = 8 marks)

Read the passage below carefully and then answer the following question that relates to the passage.

Yuko Okada has fulfilled a long-held ambition to set up her own business selling Japanese-style jewellery, ornaments and soft furnishing items for the home. Her shop, *Kagami Designs*, is located in a market town in West Sussex. Initial interest in the business was strong but in recent months, sales have fallen by 60%. Yuko has been advised by her accountant to consider setting up a website to try and sell her products to a wider market. She thinks this is a good idea, but doesn't know how to go about setting up a website as she has very limited computer skills. She decides to contact a web designer to give her some advice. The web designer has advised that setting up a website could have a number of advantages but that there were also many things that she would need to consider. The cost for setting up the site could be anything up to £5,000 and then there would be maintenance costs to consider once the site is set up. After meeting with the web designer, Yuko sat down and thought hard about what her next move would be.

***12** Use your knowledge of business communications to write a report advising Yuko on whether **or not** she should set up her own website.

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(Total for Question 12 = 10 marks)

TOTAL FOR SECTION C = 20 MARKS

TOTAL FOR PAPER = 90 MARKS

Unit 4: Business Communications

Section A

Question Number	Answer	Mark
1(a)	C	(1)

Question Number	Answer	Mark
1(b)	<p>1 mark for each appropriate response.</p> <p>Possible answers include:</p> <ul style="list-style-type: none"> • type of language used • the technical content of the message which is not understood by the receiver • emotional interference • the knowledge (or lack of it) of the receiver • use of an inappropriate medium • lack of trust in the sender • cultural differences • the position or status of the sender <p style="text-align: right;">(1x3)</p>	(3)

Question Number	Answer	Mark
1(c)(i)	<p>1 mark for identifying one appropriate effect.</p> <p>Possible effects might include:</p> <ul style="list-style-type: none"> • increase in sales • building reputation or trust • influencing the motivation of employees • improving efficiency • improving product information to consumers • highlighting the aims and objectives of a business • improving the speed of decision making 	(1)

Question Number	Answer	Mark
1(c)(ii)	<p>Do not give a mark for a repetition of the effect.</p> <p>For 3 marks, there will be clear evidence of how the effect benefits the business and links will be made and appropriate terminology used, eg <i>An increase in sales leads to greater revenue which, if the costs stay the same, could lead to a rise in profits.</i></p> <p>For 1 mark, development will be simple with little use of appropriate terminology, eg <i>The increase in sales will lead to greater profits.</i></p>	(3)

Question Number	Answer	Mark
2(a)	D	(1)

Question Number	Answer	Mark
2(b)(i)	<p>1 mark for each appropriate reason.</p> <p>Appropriate reasons could include:</p> <ul style="list-style-type: none"> • to be able to compare different candidates easily • to get an overview of the key skills and qualities of a candidate • to be able to see the key achievements of a candidate easily • to enable the business to see if the candidate is likely to be able to meet its key objectives • to see at a glance whether the candidate fits the person and job specification • to get an indication of the ability of the candidate to summarise information about themselves succinctly <p style="text-align: right;">(2x1)</p>	(2)

Question Number	Answer	Mark
2(b)(ii)	<p>1 mark for identifying an appropriate reason.</p> <p>Appropriate reasons might include:</p> <ul style="list-style-type: none"> • making the key message easy to read for the receiver • it provides the employer with an opportunity to be able to pick out key points to help form the basis for interview questions • it shows that the sender is able to manage information and present it appropriately • the CV is often the first impression that a prospective employer might get of the candidate • a good layout enables the candidate to maximise the amount of information provided • shows that the candidate has tailored it to the job. 	(1)

Question Number	Answer	Mark
2(b)(iii)	<p>Do not give a mark for a repetition of the reason.</p> <p>For 3 marks, development will focus on how the layout helps the employer to short list candidates and/or invite them for interview, together with clear evidence of a link between the layout and how this helps selection and appropriate terminology, eg. <i>A well laid out CV creates an initial impression of the candidate and this can help the business to decide whether it wishes to find out more about the candidate to see if this initial impression matches up in interview.</i></p> <p>For 1 mark, there will be simple development and little use of appropriate terms, eg <i>Good layout will create a good impression which is good for the candidate.</i></p>	(3)

Question Number	Answer	Mark
2(c)	<p>1 mark for identifying the written medium and up to 2 marks for the description. For 2 marks the description will offer some development and be relevant to communication with employees. For 1 mark the development will offer a simplistic statement in addition to the medium identified, eg <i>A business could send out a memo to employees telling them something</i> would be an example of such simple development.</p> <p>Possible written media might include:</p> <ul style="list-style-type: none"> • letters • notices • agendas • copies of minutes • invoices • newsletters 	(3)

Question Number	Answer	Mark
3(a)	A	(1)

Question Number	Answer	Mark
3(b)	<p>1 mark for each appropriate disadvantage.</p> <p>Possible disadvantages might include:</p> <ul style="list-style-type: none"> • a reliance on the technology • the cost could be high for some businesses • getting the technology in the first place might not be easy - especially for a small business • there can be a delay on the line which disrupts the flow of the communication • the situation can be artificial 	(2)

Question Number	Answer	Mark
3(c)(i)	<p>A circular organisational chart is designed to avoid the idea that any part of the organisation is any more important than any other - it emphasises teamwork.</p> <p>1 mark for the definition which must show some awareness of lack of any hierarchy or uses the word 'teamwork'.</p>	(1)

Question Number	Answer	Mark
3(c)(ii)	<p>For 3 marks, development will focus on how the lack of hierarchy breaks down barriers between people in the business and the effect benefits the business. Without these barriers they feel more confident in contributing and this helps communication. There will be clear evidence of links being made and will be expressed using appropriate terminology, eg <i>Because a circular organisation chart emphasises equality all people in the business feel they can have a say in decision making. This can help break down barriers and improve communication</i> is an example of development at the top end.</p> <p>For 1 mark, the development will be simple with little use of appropriate terms, eg <i>circular charts mean everyone has a say</i> being a typical example of this sort of simplistic development.</p> <p>Indicative content may include:</p> <ul style="list-style-type: none"> • teams consist of different people with different skills • to be successful a business might need 	

	contributions from all these people <ul style="list-style-type: none"> • circular organisation helps to encourage contributions from everyone • if people feel confident that this culture is being encouraged they are more likely to contribute • this can help to improve the communication and decision making in a business as it reduces some barriers to communication 	(3)
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Question Number	Answer	Mark
3(c)(iii)	<p>For 3 marks, development will clearly show the links in thought outlined in the marking points below.</p> <p>For 1 mark, the links will be limited and simplistic in nature.</p> <p>These links will include:</p> <ul style="list-style-type: none"> • how a hierarchy implies seniority and status of some in an organisation compared to others • this might generate inhibitions amongst some • this could lead to barriers to successful communication • this could reduce the efficiency and success of the business 	(3)

Question Number	Answer	Mark
4(a)	B	(1)

Question Number	Answer	Mark
4(b)	<p>Any two appropriate disadvantages can be accepted for 1 mark each.</p> <p>Possible disadvantages include:</p> <ul style="list-style-type: none"> • could distract workers • can be used inappropriately • may be used as an alternative to face-to-face conversation • the tone of an e-mail can be misinterpreted • the article suggests e-mail might not be used for work purposes 	(2)

Question Number	Answer	Mark
4(c)	<p>Do not give a mark for a repetition of the disadvantage.</p> <p>For 3 marks, development will focus on how the</p>	

	<p>use of e-mail can lead to a clear benefit to the business, together with links being made in thought process, eg <i>E-mail can help to speed up communication it is almost instantaneous and other people in an organisation can generally read it wherever they are in the organisation and give a quick response. This can be important, especially in dealing with queries and problems quickly.</i></p> <p><i>For 1 mark, the development will be simple with little use of appropriate terms, eg E-mails are quick and easy to read.</i></p>	(3)
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Question Number	Indicative content	
5	<p>The aim is to encourage evaluation so look for reference to adverts and loyalty cards and cross evaluation of both at the top end of the mark range. We will be expecting candidates to be able to make a judgement of which method they believe would be the more successful and then offer some explanation of how the method selected would lead to more sales and in doing so demonstrating some analytical skills. Candidates demonstrating evaluation skills will be those that can place some importance or value on the method chosen in increasing sales - for example stating how much they might expect sales to increase. In addition some candidates might use the 'it depends' approach to offer some evaluative comment. There is no 'right' answer here; the quality of the evaluation is the key to the answer.</p>	
Level	Mark	Descriptor
No mark	0	Non-rewardable material
Level 1	1 - 2	A judgement is made with a simple statement in support only. <i>'Adverts because they get people to buy things.'</i>
Level 2	3 - 4	A judgement will be made with support, but there will be only one method mentioned and no comparisons made.
Level 2	5 - 6	At top of level both methods will be referred to and there will be clear development of both points in relation to each other. The judgement made will be well supported and there will be clear evidence of evaluative comment relating to both.

Section B

Question Number	Answer	Mark
6(a)	<p>1 mark for each of two appropriate reasons which might include:</p> <ul style="list-style-type: none"> • a slide show is very visual • it enables him to use a variety of communication types - written, charts, graphs, images, etc. • slide shows can emphasise the professional approach of the presenter • it allows Alan to summarise the key points to the audience • it helps to provide a focal point for the audience • slide shows can include audio and video files to help vary the presentation • Do not give a mark for a repetition of the reasons. <p style="text-align: right;">(1x2)</p> <p>Explanations:</p> <p>For 3 marks, development will focus on how the reason identified would improve communication or make the message more likely to be understood, together with clear evidence of a link between the reason and the improvement, plus appropriate terminology, eg <i>In focusing attention of the audience on the presenter, key points can be made and the audience is able to concentrate on the main purpose of the message. This concentration is likely to mean that the message is more clear.</i></p> <p style="text-align: right;">(2x3)</p> <p>For 1 mark, there will be simple development and little use of appropriate terminology, eg <i>people like images and are better able to remember them.</i></p>	(8)

Question Number	Answer	Mark
6(b)	<p>1 mark for identifying a disadvantage in using a slide presentation.</p> <p>Possible disadvantages include:</p> <ul style="list-style-type: none"> • too much technical information • too many slides • no time to assimilate technical information beforehand • font text too small to be read by audience • the audience might lose concentration and 	

	<p>attention thus distracting them from the point of the message</p> <p>There are up to 3 marks for the explanation offered.</p> <p>At the top end of the mark range explanation will focus on how the disadvantage will detract from the message being communicated and that the communication to the target audience is likely to fail or be diminished.</p> <p><i>'A font that is too small cannot be read easily by the audience. This means they will not understand what the message is saying as a result they will not understand the point that Alan is trying to make'</i> will be typical of such development.</p> <p>At the bottom end of the mark range, the explanation will be simple with little use of appropriate terms relating to the purpose of communication. <i>They will get bored and go to sleep'</i> being a typical example of this sort of simplistic development.</p>	(4)
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Question Number	Indicative content	
7 QWC Strands (i), (ii) and (iii)	The aim is to encourage evaluation so look for reference to annual reports and AGMs and cross evaluation of both at the top end of the mark range. We will be expecting candidates to be able to make a judgement of which way of communicating they believe would be the more effective in communicating progress of the business successfully with shareholders. There will be some explanation of how the way selected would be more successful so demonstrating some analytical skills. Candidates demonstrating evaluation skills will be those that can place some importance or value on the way chosen in communicating progress of the business - for example stating how the way chosen gives more detail or enables shareholders to be able to read through the detail at their leisure. In addition some candidates might use the 'it depends' approach to offer some evaluative comment. There is no 'right' answer here; the quality of the evaluation is the key to the answer.	
Level	Mark	Descriptor
No mark	0	Non-rewardable material
Level 1	1 - 2	A judgement will be made with a simple supporting statement only. <i>'Annual reports because it will tell shareholders what is happening.'</i> The quality of written communication will be poor with frequent spelling, punctuation and grammar errors and the style of writing will not be appropriate to the subject matter.
Level 2	3 - 5	A judgement will be made but at the lower level the support for the judgement made will be weak and lacking in detail. There will be only one way mentioned in this level although a well developed support for the one way chosen could get to the top of the level. Such an answer is likely to use appropriate terminology and

		<p>show a clear understanding of the way in which the way chosen will effectively communicate with shareholders. If candidates confuse 'stakeholders' with 'shareholders' but offer a well developed support for their judgement - maximum 4 marks.</p> <p>There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter; however its use will not be as confidently used as that in Level 3.</p>
Level 3	6 - 8	<p>At the top of the level both ways will be referred to and there will be clear development of both in relation to each other. The judgement made will be well supported. There will be clear evidence of some evaluative comment on both ways given. The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard.</p>

Question Number	Answer	Mark
8	<p>1 mark for the key point and a further mark for some simple development.</p> <p>Possible key points might include:</p> <ul style="list-style-type: none"> • provides an immediate visual clue to the business • draws attention to the business • is something that people might remember • can help to reflect the image and 'feel' of the business • can leave a lasting positive impression of the business • can be a useful marketing tool • can be used on products and merchandise to create enhanced awareness <p style="text-align: right;">(1x2)</p>	(2)

Question Number	Indicative content
9 QWC Strands (i), (ii) and (iii)	<p>Possible benefits of using word processing packages include:</p> <ul style="list-style-type: none"> • such packages are generally available on most PCs and as such enables users to exchange documents easily • word processing packages are widely used and less likely to cause problems for multiple users who may be editing the document compared to DTP packages • word processors have many of the capabilities of DTP but may be regarded as easier to use • DTP packages are not always compatible with some printers making it more difficult to use <p>Whilst the use of word processors does have these advantages it may be that the final product is less appealing, attractive and professional using word processing than DTP. This might send a</p>

		<p>message to the intended audience that the business is not professional in its approach.</p> <p>The preferred package might depend on the desired outcome, the audience targeted, the time available, the skills of the users and the size of the business and the finance available to it.</p> <p>Whilst word processing packages are widely available, not everyone is able to use it and some do not like Word. As such there may be some training implications for the business.</p> <p>The benefits of using word processors might be outweighed by the lack of functionality of the programme compared to a dedicated DTP package.</p>
Level	Mark	Descriptor
No mark	0	Non-rewardable material
Level 1	1 - 2	A judgement will be made with a simple supporting statement only. ' <i>DTP is better because it looks better in the end.</i> ' The quality of written communication will be poor with frequent spelling, punctuation and grammar errors and the style of writing will not be appropriate to the subject matter.
Level 2	3 - 5	At least two benefits of using word processors will be given and there will be some understanding of using word processors to produce a leaflet to advertise the business. The quality of the development offered will be limited, however. The quality of the evaluation in the answers will be weak with little support for any judgements made. There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter; however its use will not be as confidently used as that in Level 3.
Level 3	6 - 8	At top of level there will be a clear recognition of at least two benefits of using word processors with detailed development of the points made in relation to its ease of use and quality of the output. Judgements made will be clear and, at the top end of the mark range will be well supported. At this level, the evidence of evaluative comment will be clear; value will be placed on one or both of the packages and/or the use of the 'it depends' rule will be clear. At the lower end of the range, the support will be more simplistic and lack the use of appropriate terminology. The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard.

Section C

Question Number	Answer	Mark
10	A domain name is a means of identifying computers on the internet. Every computer has an IP address and it is this that is recognised through the web. 1 mark for recognising it is a means of identifying computers and 1 for adding the point about the IP address.	(2)

Question Number	Answer	Mark
11	<p>Possible benefits include:</p> <ul style="list-style-type: none"> • exposes the business to a wider audience • provides a means of promoting the business • increases the amount of information that the business can provide to its customers • provides an available contact point 24 hours a day, 365 days a year • facilitates e-commerce • may help to reduce some costs <p style="text-align: right;">(1x2)</p> <p>1 mark for each benefit and up to 3 marks for development of the benefit. Good development worthy of the full 2 marks will be characterised by the ability to relate the advantage to the business objectives of meeting customer needs effectively and the use of appropriate terminology. Limited development will be of the type: <i>'open 24 hours and so sells more'</i>.</p> <p style="text-align: right;">(2x3)</p>	(8)

Question Number	Indicative content
12 QWC Strands (i), (ii) and (iii)	<p>Yuko seems to believe that if she sets up a website it will give some of the following advantages:</p> <ul style="list-style-type: none"> • it will help her to increase sales and this is a possibility • it could mean that her business is exposed to a wider audience and that it would trigger an increase in sales <p>There would also be some disadvantages to consider:</p> <ul style="list-style-type: none"> • she would have to consider the cost of setting up a website Yuko has few skills and will have to rely on a web designer to set the site up for her. This will not be cheap • she will have to think about paying for maintenance costs for the site <p>Other possible lines of argument include:</p> <ul style="list-style-type: none"> • the type of products she sells might be suited to a small market town but whether the business would work well on the internet is another matter • she will have to set up distribution processes, set up e-

		<p>commerce facilities and be able to meet customer needs through having adequate stock</p> <ul style="list-style-type: none"> • if the website was successful in drawing in new customers it could help to pay for the development and running costs of the site and supplement her income from the shop • to make the website pay she must be sure that the cost of developing and running the site are more than covered by the revenue that it generates and whilst a website might expose her business to new customers it also brings with it more competition
Level	Mark	Descriptor
No mark	0	Non-rewardable material
Level 1	1 - 4	Answers in this level might be little more than one sentence or a response which has limited development. There will be little or no evidence of any evaluation apart from perhaps a very simplistic judgement with no support offered or limited development of the type ' <i>she should set one up because it will increase sales</i> '. A list of bullet points will get 3 marks maximum assuming they are all relevant points. The quality of written communication will be poor with frequent spelling, punctuation and grammar errors and the style of writing will not be appropriate to the subject matter.
Level 2	5 - 7	A reasoned response that is balanced but not as developed as that at level 3. At the top end of this level, the balance will be present but there might be a limited conclusion or no conclusion at all. At the lower end of this level the answer might be unbalanced with more being written either in support of the decision to set up a website or against it. The quality of written communication will be of a good standard with some errors in spelling, punctuation and grammar and some use of business and economic terminology, concepts and methods but not as assured as that in level 3.
Level 3	8 - 10	A clear argument which is balanced and evaluates both the costs and benefits of setting up a website and uses appropriate terminology, concepts and methods. At the very top end a conclusion will be offered that draws on the previous information and is well supported. At the lower end a conclusion might lack development and be a re-statement of that already written. The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence of evaluation in the answer.

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCSE

Business Studies and Economics
Unit 5: Introduction to Economic Understanding

Sample Assessment Material

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** 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 with your spelling, punctuation and grammar, as well as the clarity of expression, on these questions.*

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 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 ☒.

Read the passage below carefully and then answer the following question that relates to the passage.

Lisa lives on one of the most run-down estates in the UK. She is unemployed and claims Job Seekers' Allowance and Income Support. She struggles to afford any luxuries. The council provides cheap housing and she can use her benefits to pay for basic living costs. Three miles away is one of the most exclusive housing developments in the country with houses costing in excess of £750,000.

1 (a) Which of the following best describes the meaning of **relative** poverty? (1)

Select **one** answer.

It is where people like Lisa:

- A have no money
- B are unable to afford the basics of life
- C are unable to afford many luxuries
- D have to claim state benefits

(b) State **three** signs of **absolute** poverty. (3)

1

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2

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3

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(c) (i) Identify **one** method the government could use to reduce **relative** poverty in the UK. (1)

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(ii) Explain how this method would reduce relative poverty in the UK. (3)

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(Total for Question 1 = 8 marks)

2 (a) 'Inflation' is an increase in: (1)

Select **one** answer.

- A the size of an economy
- B the level of demand in an economy
- C the level of supply in an economy
- D the level of prices in an economy

(b) (i) Identify **three** possible causes of inflation. (3)

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3

(ii) Explain **one** effect of inflation on a business. (3)

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(c) Explain how an increase in the rate of interest by the Bank of England might reduce inflation.

(3)

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(Total for Question 2 = 10 marks)

3 (a) Which of the following is a method of external growth available to a business? (1)

Select **one** answer.

- A Reinvesting profits
- B Merging with another business
- C Investing in research and development
- D Changing the marketing mix

(b) Identify **two** disadvantages of a business having monopoly power. (2)

1

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2

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(c) Some businesses with monopoly power make large profits.

Explain how large profits could benefit the shareholders of the business. (3)

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(d) Describe the role of the Competition Commission in controlling businesses with monopoly power.

(4)

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(Total for Question 3 = 10 marks)

Read the passage below carefully and then answer the following question that relates to the passage.

Is China choking on its own success?

During the last decade, China has seen big increases in economic activity. This has led to an average economic growth rate of 8%. However, with this boost to the economy comes a huge increase in pollution and other negative externalities. For example, prices for oil, coal and gas have all surged following a huge Chinese demand for non-renewable resources.

4 (a) Which of the following best describes the process of economic activity?

Select **one** answer.

(1)

- A The amount of buying and selling over a period of time
- B The amount of money the government spends
- C The amount of consumer spending over a period of time
- D An increase in the number of businesses sold

(b) State **two** possible causes of economic growth in China.

(2)

1

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2

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(c) Explain how economic growth might improve the standard of living in China. (3)

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(d) Pollution and the use of non-renewable resources are two drawbacks of economic growth.

Which of these do you think is the more serious and why? (6)

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(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

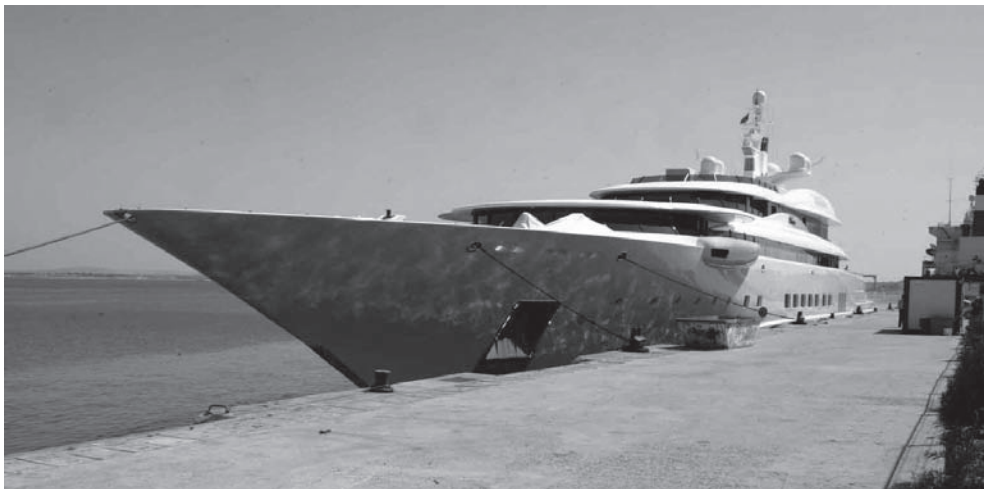
SECTION B

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

Read the following article carefully and then answer questions 5 to 7.

The rise of the mega-yachts

Russian billionaire Roman Abramovich is rumoured to be purchasing a yacht measuring 130 metres long. It will have two helicopter pads, an internal swimming pool and an advanced security system.



Plymouth-based firm *Princess Yachts International plc* manufactures luxury yachts for both the UK and export markets. Despite being able to take advantage of lower production costs overseas, *Princess Yachts* continues to be loyal to the 1700 people it employs. The main reason for this loyalty is the high level of productivity generated in its Plymouth factory. Most of the parts they need are made in the UK and Europe. The business prides itself on the quality of its products. The business can be affected by changes in the exchange rate. However, customers like Roman Abramovich are not often concerned by higher prices; quality and luxury are their prime concerns.

(Source adapted from: The Daily Telegraph 2007/Geoff Pugh)

5 (a) Identify **one** method *Princess Yachts International plc* could use to increase its productivity.

(1)

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(b) Explain how the method you identified in (a) could increase productivity.

(3)

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(Total for Question 5 = 4 marks)

6 Identify **two** reasons why a business such as *Princess Yachts International plc* would benefit from increasing levels of productivity.

For each reason, explain how the business would benefit.

Reason 1

(1)

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Explanation

(3)

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Reason 2

(1)

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Explanation

(3)

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(Total for Question 6 = 8 marks)

*7 Two ways in which *Princess Yachts International plc* could increase competitive advantage are:

- lowering prices
- improving product quality

In your opinion, which of these two ways will be more effective in increasing the business' competitive advantage?

Justify your answer.

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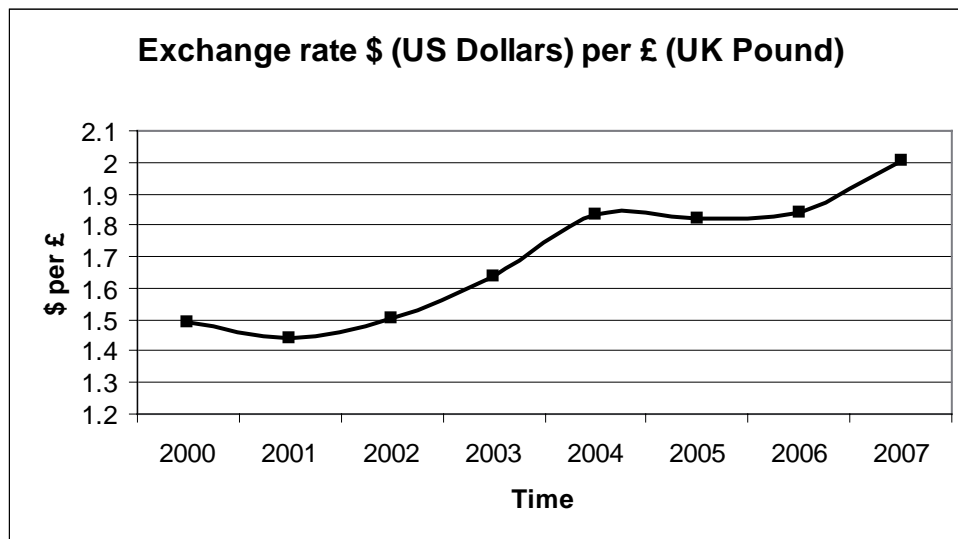
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(Total for Question 7 = 8 marks)

8 Look at the graph below.



(a) Using an example from the graph, state what is meant by a 'strong pound'.

(2)

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*(b) *Princess Yachts International plc* sell 15% of their yachts to the USA.

Assess the effects a strong pound might have on their profits.

(8)

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Handwriting practice area with 20 horizontal dotted lines.

(Total for Question 8 = 10 marks)

TOTAL FOR SECTION B = 30 MARKS

SECTION C

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

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

Bebo acquired by AOL

The social networking business, *Bebo*, has been acquired by media giant *AOL* in a takeover deal worth £417 million. *AOL* is part of the Time Warner group.

Bebo was set up by husband and wife duo Michael and Xochi Birch in 2005. The couple will get several hundred million dollars from the takeover deal.

AOL say that they think that the large user base of *Bebo* will help them make more money in the future from selling advertising on *Bebo* and they see it as a good deal.

Others are not quite so sure. Social networking sites like *Bebo*, *MySpace* and *DoubleClick* are being swallowed up by large media corporations and some have questioned whether they will retain their roots.

9 What is meant by the term **takeover**?

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(Total for Question 9 = 2 marks)

10 Identify **two** possible drawbacks of *AOL* becoming too big. For each drawback explain how it would affect *AOL*.

Drawback 1

(1)

Explanation

(3)

Drawback 2

(1)

Explanation

(3)

(Total for Question 10 = 8 marks)

***11** Using the evidence and your knowledge of economics and business, assess the extent to which consumers of social networking sites **and** employees of a business like *Bebo*, will be disadvantaged by the takeover.

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(Total for Question 11 = 10 marks)

TOTAL FOR SECTION C = 20 MARKS

TOTAL FOR PAPER = 90 MARKS

Unit 5: Introduction to Economic Understanding

Section A

Question Number	Answer	Mark
1(a)	C	(1)

Question Number	Answer	Mark
1(b)	<p>1 mark for identifying each sign.</p> <p>Possible signs of absolute poverty include:</p> <ul style="list-style-type: none"> • lack of housing • lack of food • no safe drinking water • poor health • lack of clothes <p style="text-align: right;">(1x3)</p>	(3)

Question Number	Answer	Mark
1(c)(i)	<p>1 mark for identifying any reasonable suggestion.</p> <p>Possible suggestions may include:</p> <ul style="list-style-type: none"> • more government spending on health • more government spending on housing • more state benefits • lower taxes for the poor • better education • better public infrastructure, eg water, schools, hospitals, etc. <p>Do not reward candidates who identify a way of reducing absolute rather than relative poverty, eg give them more food.</p>	(1)

Question Number	Answer	Mark
1(c)(ii)	<p>For 3 marks the method identified in 1(c)(i) will be clearly linked to a reduction in relative poverty using appropriate terminology, eg <i>Better education for the poor gives them the ability to gain qualifications and become more productive. This makes them more attractive to an employer who will give them a job.</i></p> <p>For 1 mark there will be a simple linkage, eg <i>Better education will allow them to get a job.</i></p>	(3)

Question Number	Answer	Mark
2(a)	D	(1)

Question Number	Answer	Mark
2(b)(i)	<p>1 mark for identifying each cause of inflation. Possible answers include:</p> <ul style="list-style-type: none"> • increase in wages • increase in raw material prices • increase in general costs • increase in demand • excess demand <p>Do not reward rising prices on its own unless it is suffixed by raw material or some other cost. The idea is to make candidates understand the notion of demand pull and/or cost push inflation.</p> <p style="text-align: right;">(1x3)</p>	(3)

Question Number	Answer	Mark
2(b)(ii)	<p>For 3 marks there will be clear explanation of how a rise in inflation may affect a business using linkages and terminology, eg <i>A rise in raw material prices causes a firm's costs to rise. This will reduce the firm's profit margin. This will result in the firm increasing its prices to maintain its profit margin.</i></p> <p>For 1 mark range there will be simple linkage, eg <i>A rise in inflation will reduce profits.</i></p>	(3)

Question Number	Answer	Mark
2(c)	<p>For 3 marks there will be clear explanation how an increase in the rate of interest might reduce inflation using linkages and terminology, eg <i>An increase in the rate of interest will lead to a fall in spending since borrowing money becomes more expensive. This leads to less demand so firms don't increase prices.</i></p> <p>For 1 mark range there will be simple linkage, eg <i>Increasing interest rates reduces spending.</i></p>	(3)

Question Number	Answer	Mark
3(a)	B	(1)

Question Number	Answer	Mark
3(b)	<p>1 mark for identifying each disadvantage of monopoly power.</p> <p>Possible suggestions include:</p> <ul style="list-style-type: none"> • possible threat of government regulation. • profits too large (exploit consumer). • inefficiency • lack of consumer choice • inability for smaller firms to compete. <p>(1x2)</p>	(2)

Question Number	Answer	Mark
3(c)	<p>For 3 marks there will be clear explanation on how large profits generate benefits to share holders, eg <i>An increase in profits leads to a rise in the retained profit in the business. This could then allow the firm to invest in new R&D. This will then lead to an increase in the share price/competitive advantage</i></p> <p>For 1 mark range there will be a simple linkage, eg <i>Large profits make shareholders richer</i></p>	(3)

Question Number	Answer	Mark
3(d)	<p>For 4 marks the role of the Competition Commission and how it can prevent abuses of monopoly power will be described fully, with clear use of terminology and links between ideas within the thought process, eg <i>The Competition Commission will investigate markets where existing firms are engaging in anti-competitive behaviour. This can include price fixing or predatory pricing. The Competition Commission has the power to change the law to ensure that the monopoly benefits stakeholders other than just the consumer. Sometimes the threat of an investigation forces a monopoly to adopt a code of conduct which reduces its monopoly power.</i></p> <p>For 1 mark, there will be a relevant fleeting statement eg <i>The Competition Commission can force monopolies to lower prices.</i></p>	(4)

Question Number	Answer	Mark
4(a)	A	(1)

Question Number	Answer	Mark
4(b)	<p>1 mark for identifying each cause of economic growth.</p> <p>Possible causes include:</p> <ul style="list-style-type: none"> • more investment • better education/training • more international trade • lower taxes • increased productivity <p>Do not reward candidates who mention an increase in production, since this is essentially economic growth and is not a cause of it.</p> <p style="text-align: right;">(1x2)</p>	(2)

Question Number	Answer	Mark
4(c)	<p>For 3 marks there will be clear explanation of how economic growth improves the standard of living in China, making clear use of inter-linkages and terminology, eg <i>Economic growth results in more output being produced this causes prices to fall. People can now purchase more goods and services with their income.</i></p> <p>For 1 mark, there will be a simple linkage, eg <i>Economic growth causes prices to fall.</i></p>	(3)

Question Number	Indicative content	
4(d)	<p>The aim here is to try and encourage evaluation so look for reference to the extent to which pollution and use of non-renewable resources are more serious drawbacks. The candidate is expected to make a judgement as to which negative externality is more serious and justify why. Candidates may explore the issue by considering different time periods or the effects on future generations. In addition some candidates might use the 'it depends' approach to offer evaluative comment. For instance if renewable resources can take the place of non-renewable resources the depletion of non-renewables is not perhaps as serious.</p> <p>There is no right answer in this question; the quality of the evaluation and supporting analysis is the key to the answer.</p>	
Level	Mark	Descriptor
No mark	0	Non-rewardable material

Level 1	1 - 2	The candidate will make a statement as to which drawback is the most serious and this will be supported by a simple statement, eg <i>'pollution is the worst drawback since it makes things dirty'.</i>
Level 2	3 - 4	A judgement will be made but at the lower end of the level the support behind the judgement will be weak and lacking in detail. There will only be one drawback mentioned in this level although use of terminology and developed support could allow the response to reach the top of this level.
Level 3	5 - 6	In this level a judgement will be made and both drawbacks will be referred to in order for the candidate to make an accurate comparison as to which is most serious. The use of terminology and the clarity of the argument should be used as a discriminator within the level.

Section B

Question Number	Answer	Mark
5(a)	Candidates are expected to state one method through which Princess Yachts could improve its productivity. Expect to see: <ul style="list-style-type: none"> • increases/improvements in investment (machinery) • improvements in education/training/skills of workers • reorganisation of factory floor • reduction of waste 	(1)

Question Number	Answer	Mark
5(b)	For 3 marks there will be clear explanation of how the method chosen in 5(a) will improve productivity. Again the aim should be to award linkages within the candidate's response, eg <i>The firm could train its workers better this will allow them to work faster reducing the amount of time spent making each part of a boat This allows the workers to produce more boats in a year.</i>	(3)

Question Number	Answer	Mark
6	1 mark should be awarded for the identification of each benefit. Possible benefits include: <ul style="list-style-type: none"> • increases in output per time period/efficiency • reduction in average total costs 	

	<ul style="list-style-type: none"> • increase in profit • increase in competitive advantage <p style="text-align: right;">(1x2)</p> <p>The explanation of each benefit is worth 3 marks. At the top end of this mark range expect candidates to develop a clear link between improved productivity and the benefit, expressed with inter-linkage of ideas and terminology, eg Reason:</p> <ul style="list-style-type: none"> • <i>Reduction in average total costs</i> <p>Explanation:</p> <ul style="list-style-type: none"> • <i>This benefits the business because a fall in costs will allow the firm to increase its profit margin. This means it will make greater total profits. These profits could be used to fund R&D for new boats.</i> <p style="text-align: right;">(2x3)</p>	(8)
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Question Number	Indicative content	
7 QWC Strands (i), (ii) and (iii)	<p>The aim here is to try and encourage evaluation. The question asks candidates to suggest which will be the more effective method of gaining a competitive advantage. Therefore reference to the second suggestion is required as a basis for relative comparison. Candidates that do this should be able to score at the top of level 3 in the mark scheme, depending on the quality of their answer. There is no right answer to this question and a candidate could equally argue that lowering prices or improving quality are the best ways to develop a competitive advantage. The supporting text highlights the importance of quality in the yacht building industry and expects most candidates to use this as the rationale as to why quality is the most likely way of gaining a competitive advantage. The fact that most consumers of yachts are rich, making price relatively unimportant may also be referred to by candidates. Those candidates that focus on lower prices as the main method of gaining a competitive advantage could make reference to a recession as the rationale behind their choice. It is likely that candidates who focus on price will probably not develop a sophisticated answer since they have missed the opportunity to use the pointers in the evidence.</p>	
Level	Mark	Descriptor
No mark	0	Non-rewardable material
Level 1	1 - 2	The candidate makes a choice, but the supporting statement is brief and of limited depth, eg 'lowering prices will be best because people will now buy more'. The quality of written communication will be weak with frequent spelling, punctuation, style and grammar errors.
Level 2	3 - 5	A judgement will be made but at the lower level the support for the judgement will be lacking in detail. There will be only one method of gaining a competitive advantage mentioned in this level although well developed support for the single choice could elevate

		<p>the response to the top of the level. Such an answer is likely to use terminology and there is likely to be good use of inter-linkages.</p> <p>'Lowering prices will be the best route to competitive advantage since demand will rise, this will lead to improved profitability since the market for yachts will be getting larger.'</p> <p>There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate overall.</p>
Level 3	6 - 8	<p>At the top of this level candidates will make a choice and make a relative comparison to the discarded choice. Expect detailed support and use of terminology to express their answer. There should be evidence of evaluative comment on both routes to gaining a competitive advantage.</p> <p>'Lower prices will not give Princess a competitive advantage since demand is price insensitive, therefore lowering prices leads to demand hardly increasing. Therefore revenue falls and the firm could lose its reputation for high quality.'</p> <p>The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be consistently appropriate and of a high standard and there will be clear evidence of evaluation in the answer.</p>

Question Number	Answer	Mark
8(a)	<ul style="list-style-type: none"> For 1 mark expect to see candidates making reference to the £ being worth more compared to another currency (1). Do not accept that the £ is simply worth more or that it has just 'appreciated'. For 2 marks an example needs to be taken from the graph, although any kind of example that highlights the strengthening will suffice eg £1=\$1.5 to £1 = \$2 (1). 1 mark for the statement and 1 mark for the example. 	(2)

Question Number	Indicative content
8(b) QWC Strands (i), (ii) and (iii)	<p>This is likely to be viewed by candidates as a difficult question. The key to answering it successfully is that a strengthening £ means that foreign consumers now have to spend more of their currency to buy a £ worth of UK goods. Similarly the strong £ now buys more imports that are priced in terms of a foreign currency, thus the strong £ could reduce costs in £. Candidates that can make a clear link as to how a strong £ leads to a change in profitability should be placed in Level 2. A Level 3 answer will consider the effects on export demand leading to a change in Princess Yachts' revenue and a</p>

		relative fall in Princess Yachts' cost of importing components from Europe. Reserve the top of Level 3 for candidates that attempt to link price sensitivity to their answer or develop the notion of export markets not being that important since Princess only exports 15% of its boats to the US.
Level	Mark	Descriptor
No mark	0	Non-rewardable material
Level 1	1 - 2	The candidate provides a weak answer that shows very limited understanding of how a strong £ affects export demand/imported component costs and profitability. Expect to see fleeting references to loss of competitiveness without the ability to articulate why. The quality of written communication will be poor with frequent spelling, punctuation, style and grammar errors.
Level 2	3 - 5	In this level candidates will develop a clear link between a strong £ and a change in profitability. A candidate that just focuses on the affect on export demand can only score a maximum of 4 marks. Candidates at the top of Level 2 will also have considered the notion that imported raw materials have fallen in terms of strong £ and the subsequent impact this has on profitability. There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter.
Level 3	6 - 8	Answers in this level will consider both the effects on profitability through the change in export competitiveness and the change in imported raw material costs. Candidates at the top of Level 3 will have attempted to measure the scale of each effect and make comparisons as to which affect is bigger. Reward candidates at the top of the mark scheme who try to consider price sensitivity or who develop an answer based around the fact that only 15% of the Princess Yachts' boats are sold to the US. The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence that the candidate has structured their answer clearly and coherently, using appropriate terminology.

Section C

Question Number	Answer	Mark
9	<p>For 1 mark expect to see candidates making reference to taking control/ownership of another company.</p> <p>For 2 marks, the best candidates will, eg:</p> <ul style="list-style-type: none"> • make reference to the need to acquire greater than 50% of the issued shares/voting rights • make reference to the difference between a hostile and agreed takeover bid. <p>Do not reward candidates who state that a take over involves one firm 'taking over' another firm.</p>	(2)

Question Number	Answer	Mark
10	<p>Possible drawbacks include:</p> <ul style="list-style-type: none"> • loss of efficiency • lack of communication • lack of co-ordination • lack of flexibility/responsiveness • diseconomies of scale <p>(1x2)</p> <p>The explanation of each drawback is worth 3 marks. At the top end of this mark range expect candidates to develop a clear link between the stated drawback and the overall effect on AOL. The best answers will make clear use of terminology and inter-linkages, eg</p> <p>Drawback: <i>Lack of communication</i></p> <p>Explanation: <i>As the business gets bigger communication becomes harder, this leads to information not being passed on properly and mistakes are made. These mistakes increase average total costs and lower AOL's profits.</i></p> <p>In cases where candidates develop very similar drawbacks and essentially try and make two points out of one idea, award a maximum of 4 marks if the main idea is developed well.</p> <p>(2x3)</p>	(8)

Question Number	Indicative content	
11 QWC Strands (i), (ii) and (iii)	<p>The takeover is likely to disadvantage consumers since:</p> <ul style="list-style-type: none"> • less competition will lead to a restricted choice for consumers • possibility for AOL to act as a monopolist • profits might be made at the consumer's expense • Bebo might lose its original ethos - its roots <p>However these disadvantages could be mitigated since:</p> <ul style="list-style-type: none"> • AOL might invest in making Bebo an even better site • the advertising revenue it hopes to make might mean consumers do not have to pay anything to subscribe • there are still other social networking sites so the lack of competition might not be as great as suggested above <p>For the employees of Bebo the takeover could lead to the following disadvantages:</p> <ul style="list-style-type: none"> • loss of jobs as AOL seeks to gain the benefits of economies of scale • loss of job security and motivation as remaining employees will face a degree of uncertainty - AOL might already have people with the skills that Bebo workers have • possible pay cuts <p>These disadvantages could be mitigated since:</p> <ul style="list-style-type: none"> • employees may prefer working for a financially stronger organisation, such as AOL <p>AOL may want the skills and market knowledge that Bebo workers possess</p>	
Level	Mark	Descriptor
No mark	0	Non-rewardable material
Level 1	1 - 4	An answer that lacks development or is limited in understanding. The use of evidence will be virtually non-existent and use of business/economic terminology will be poor. It is likely that answers in this range will focus almost exclusively on either the consumer or the employees of Bebo but not both. The quality of written communication will be poor with frequent spelling, punctuation, style and grammar errors.
Level 2	5 - 7	Candidates in this range will have used economic and business language to build their answers and at the top of this level expect to see reference being made to the evidence. Candidates should also consider the effects on both consumers and the employees of Bebo. Candidates who do not consider both stakeholders but do develop their arguments well for one group can receive a maximum of 6 marks. At the top end of this level, expect to see some balance, although any evaluation may still be simplistic in nature. There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter overall.

Level 3	8 - 10	A well balanced answer with a clear distinction between the effects on the consumers and the employees of Bebo. Evaluation of points will be clear and the answer will probably have an evaluative conclusion. Answers in this level will be well structured and make accurate use of terminology, expect to see effective use of the evidence to support arguments. The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence of evaluation in the answer.
---------	--------	--

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCSE

Business Studies (Short Course)

Unit 6: Introduction to Small Business

Sample Assessment Material

Time: 45 minutes

Paper Reference

5BS06/01

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

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

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** Which of the following would **not** be an appropriate method of market research for a new small business?

Select **one** answer.

- A** ☒ Employing a specialist market research company to carry out a survey of 10,000 people
- B** ☒ Using published statistics about market trends
- C** ☒ Asking customers to fill in a short questionnaire on the premises
- D** ☒ Conducting an interview with a group of volunteer customers

(Total for Question 1 = 1 mark)

- 2** Which **two** of the following are key features of enterprise?

Select **two** answers.

- A** ☒ A willingness to take risks
- B** ☒ A willingness to employ at least five workers
- C** ☒ A willingness to take the initiative
- D** ☒ A willingness to follow a course of study in business
- E** ☒ The ability to raise finance

(Total for Question 2 = 2 marks)

3 Which **three** of the following are examples of fixed costs?

Select **three** answers.

- A The payment of electricity for powering a machine used in production
- B The rent on a business's premises
- C The purchase of raw materials
- D The budget for advertising
- E Taking out insurance against fire and damage to the premises
- F The payment of wages related to the amount the workers produce

(Total for Question 3 = 3 marks)

4 Which **two** of the following are the **most likely** reasons why an individual would want to start a business?

Select **two** answers.

- A To use the profits of a business to make a difference
- B To work fewer hours each week
- C To avoid paying income tax
- D To show their boss that they are as good as them
- E To control their own future

(Total for Question 4 = 2 marks)

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Read the passage below carefully and then answer questions 7 to 9 which all relate to the passage.

Marie set up a new private limited company selling gift bags. Before she started the business, Marie had to produce a business plan to support her application to her bank for a loan. In her first year of trading, the biggest problems she faced were managing her cash flow and making sure she kept a record of all her income and spending.

7 Which of the following might be the **most likely** reason why Marie set up as a private limited company?

Select **one** answer.

This is because:

- A she wanted to raise large amounts of money on the Stock Exchange
- B she wanted to be the sole owner of the business
- C she would have access to limited sources of finance
- D she would only be liable for the amount she invested if the business failed

(Total for Question 7 = 1 mark)

8 Which of the following would be the **two most likely** reasons why Marie has to keep a record of her businesses income and spending?

Select **two** answers.

- A To ensure she has the correct information to give to her accountant
- B So that she could return any faulty goods she bought to the shop
- C To be able to prove to Her Majesty's Revenue and Customs that she is paying the right amount of tax
- D To be able to prove to her family that she is running the business properly
- E So that if she made a loss she can see what item of spending caused the loss

(Total for Question 8 = 2 marks)

9 What would be the **two** most likely effects of an unexpected rise in the demand for Marie's gift bags?

Select **two** answers.

- A Marie's profits would fall
- B Fewer people might buy Marie's gift bags
- C There might be a surplus of gift bags on the market
- D The price of gift bags would be likely to rise
- E There might be a shortage of gift bags available for sale

(Total for Question 9 = 2 marks)

10

A business spent:

- £10,000 on raw materials
- £30,000 on fixed costs
- £7,500 on other variable costs

and had a turnover of £50,000.

The business now buys its raw materials 10% more cheaply from a new supplier.

What effect will this have on its profit level?

Select **one** answer.

The profit level will:

- A increase by £2,500
- B fall by £2,500
- C increase from £2,500 to £3,500
- D increase by 10%

(Total for Question 10 = 1 mark)

11 Which **two** of the following are subject to legislation that protect workers from discrimination?

Select **two** answers.

- A Politics
- B Ability
- C Age
- D Ethics
- E Race

(Total for Question 11 = 2 marks)

12 Which **two** of the following are most important in spotting a new business opportunity?

Select **two** answers.

- A Recognising a need in the market place
- B Being able to sell at a low price
- C Knowing someone who has already started a business
- D Knowing who your competitors are
- E Being a brilliant accountant

(Total for Question 12 = 2 marks)

Read the passage below carefully and then answer questions 13 and 14 which relate to the passage.

A small family business in Scotland produces bottled spring water for selling abroad. The success of the business is based on the quality of their product. In recent months, it has had to arrange for a new loan from its bank to finance the repair of one of its pieces of equipment.

13 If interest rates rose in the UK, which **two** of the following are the most likely effects on the business?

Select **two** answers.

The business would:

- A see no difference because it did not have any savings
- B see its costs rise
- C see its costs falling
- D see its sales slowdown
- E see its sales rise because customers are now more interested

(Total for Question 13 = 2 marks)

14 The exchange rate between the pound and the euro stands at £1 = €1.50

How much would an Italian business buying bottles of water priced at £20.00 per case from the UK have to pay in euros?

Select **one** answer.

- A €21.50
- B €30.00
- C €18.50
- D €13.33

(Total for Question 14 = 1 mark)

Read the passage below carefully and then answer the following question which relates to the passage.

JayCD is a small independent CD music store which operates on very narrow profit margins. It is facing strong competition from a local supermarket in the town selling chart CDs at very low prices.

15 Which **two** of the following are the **most likely** methods *JayCD* might use to compete with the local supermarket?

Select **two** answers.

- A Lower its prices below that of the supermarket
- B Launch an advertising campaign on national television
- C Provide an ordering service for hard-to-find CDs for their customers
- D Open up two new stores in the town
- E Focus on improving the quality of customer service

(Total for Question 15 = 2 marks)

Read the passage below carefully and then answer the following question which relates to the passage.

Alex Tew took 20 minutes to come up with an idea to help clear his debts before going to university. Within three months he had made a million dollars by selling pixels on a website to businesses. The businesses could buy any number of pixels for \$1 each and use it to place an advert link to their business. His creation, 'The Million Dollar Homepage', was exactly that!

16 Which of the following enterprise skills do you think was the most important in contributing to Alex's success?

Select **one** answer.

- A** He asked why people would pay \$1 for a pixel on a website
- B** He showed initiative in solving his problem of student debt
- C** He didn't just ask all the right questions, he actually got up and did it
- D** He thought creatively about ways to make a million

(Total for Question 16 = 1 mark)

17 Match the definition on the left with the correct term on the right. Select the definition and then the term. To change your answer re-select the definition and the term. There is only one correct term for each definition.

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	
The production of a good where consumers are prepared to pay a higher price than the bought-in costs	i
When a company carries out market research, they use data from research that has already been carried out by someone else	ii
A term that refers to a group of people who have similar buying habits and behaviours	iii
Information gathered by a small business which tells them why consumers buy their product	iv
A visual means of showing where a product is positioned in the market	v

Term	
a	Secondary data
b	Competitor knowledge
c	Value added tax
d	Marketing mix
e	Adding value
f	Qualitative data
g	Market mapping
h	Market segment

(Total for Question 17 = 5 marks)

Read the passage below carefully and then answer the following question which relates to the passage.

Sanjeev wants to set up in business and be his own boss. He is thinking of setting up a shop that sells organic health care and beauty products. He has a choice to make between setting up on his own and buying a shop in a busy part of a town centre, or taking the opportunity of buying into a franchise of *The Body Shop*, which is in a less busy part of the town.

*18 Using the principle of calculated risk, which of the following two options would you choose if you were Sanjeev? Justify your choice.

- Option chosen (tick **one** box only) set up on my own
 buy into a franchise of *The Body Shop*

Area with horizontal dotted lines for writing.

(Total for Question 18 = 6 marks)

TOTAL FOR PAPER = 40 MARKS

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Unit 6: Introduction to Small Business

Question Number	Answer	Mark
1	A	(1)

Question Number	Answer	Mark
2	A, C	(2)

Question Number	Answer	Mark
3	B, D, E	(3)

Question Number	Answer	Mark
4	A, E	(2)

Question Number	Answer	Mark																																																		
5	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Jan</th> <th>Feb</th> <th>March</th> <th></th> </tr> </thead> <tbody> <tr> <td>Receipts (£)</td> <td>10000</td> <td>8500</td> <td>-15000</td> <td>(1)</td> </tr> <tr> <td>Payments (£)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Raw materials</td> <td>2000</td> <td>2500</td> <td>3600</td> <td>(1)</td> </tr> <tr> <td>Fixed costs</td> <td>4000</td> <td>4000</td> <td>4000</td> <td></td> </tr> <tr> <td>Other costs</td> <td>5000</td> <td>5200</td> <td>5900</td> <td></td> </tr> <tr> <td>Total Payments</td> <td>11000</td> <td>11700</td> <td>13500</td> <td></td> </tr> <tr> <td>Net cash flow</td> <td>-1000</td> <td>-3200</td> <td>1500</td> <td>(1)</td> </tr> <tr> <td>Opening balance</td> <td>500</td> <td>-5000</td> <td>-3700</td> <td>(1)</td> </tr> <tr> <td>Closing balance</td> <td>-500</td> <td>-3700</td> <td>-2200</td> <td></td> </tr> </tbody> </table>		Jan	Feb	March		Receipts (£)	10000	8500	-15000	(1)	Payments (£)					Raw materials	2000	2500	3600	(1)	Fixed costs	4000	4000	4000		Other costs	5000	5200	5900		Total Payments	11000	11700	13500		Net cash flow	-1000	-3200	1500	(1)	Opening balance	500	-5000	-3700	(1)	Closing balance	-500	-3700	-2200		(4)
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Question Number	Answer	Mark
6	B	(1)

Question Number	Answer	Mark
7	D	(1)

Question Number	Answer	Mark
8	A, C	(2)

Question Number	Answer	Mark
9	D, E	(2)

Question Number	Answer	Mark
10	C	(1)

Question Number	Answer	Mark
11	C, E	(2)

Question Number	Answer	Mark
12	A, D	(2)

Question Number	Answer	Mark
13	B, D	(2)

Question Number	Answer	Mark
14	B	(1)

Question Number	Answer	Mark
15	C, E	(2)

Question Number	Answer	Mark
16	C	(1)

Question Number	Answer	Mark
17	i=e, ii=a, iii=h, iv=f, v=g	(5)

Question Number	Indicative content
18 QWC Strands (i), (ii) and (iii)	<p>Choice 1: Set up on your own. Choice 2: Buy into a franchise of The Body Shop.</p> <p>Possible examples that could be used to support justification of choice:</p> <p>For Sanjeev to set up on his own Good points:</p> <ul style="list-style-type: none"> • He has total control • The shop is in a good location • All the profits would be his • He would have the satisfaction of doing it all by himself <p>Bad points:</p> <ul style="list-style-type: none"> • He could lose everything • He would face competition from high street stores such as Boots and Superdrug • 1 in 3 new stores fail • He would be totally on his own <p>For Sanjeev to buy into a Body Shop franchise Good points:</p> <ul style="list-style-type: none"> • The Body Shop is a well known brand • All marketing and shop equipment are provided by The Body Shop

	<ul style="list-style-type: none"> • Similar franchises have had a high success rate • Its range of products are well known <p>Bad points:</p> <ul style="list-style-type: none"> • Not totally his own boss - he has to abide by the rules of the franchise • He would have to pay a large sum of money to buy the franchise • He would have to give a proportion of his profit to The Body Shop • The shop is not in such a good location 	
Level	Mark	Descriptor
No mark	0	Non-rewardable material
Level 1	1 - 2	A choice will be made with poorly developed justification and supported by limited examples. The quality of written communication will be poor with frequent spelling, punctuation and grammar errors and the style of writing will not be appropriate to the subject matter.
Level 2	3 - 4	A choice will be made with some developed justification and supported by some appropriate examples although the development might be a little confused or incoherent at times especially at the lower end of the mark range. There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter; however its use will not be as confidently used as that in Level 3.
Level 3	5 - 6	A choice will be made with a clearly developed, articulate and coherent justification supported by appropriate examples. The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard.

