

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCSE

Business Studies

Unit 3: Building a Business

Monday 6 June 2011 – Morning

Time: 1 hour 30 minutes

Paper Reference

5BS03/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 90.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Questions labelled with an **asterisk** (*) are ones where the quality of your written communication will be assessed
– *you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.*
- A calculator may be used.

Advice

- Read each question carefully before you start to answer it.
- Keep an eye on the time.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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SECTION A

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

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then indicate your new answer with a cross ☒.

- 1** (a) Which of the following is most likely to be a barrier to effective communication between workers? (1)

Select **one** answer.

- A** De-stocking.
- B** Poor customer service.
- C** Pressure groups.
- D** Use of jargon.

- (b) Identify **one** benefit to a business of improved communication. (1)

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- (c) Explain **one** problem a business might face as a result of excessive communication. (3)

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(d) Explain the benefit to a business of improved worker motivation.

(3)

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(Total for Question 1 = 8 marks)



2

Apple produces home electronics, including strong brands like the *iPod* and *iPhone*, for the mass market. Product design is an important part of its success.

(a) Product design is most likely to help a business:

(1)

Select **one** answer.

- A** generate quantitative research.
- B** differentiate its products.
- C** improve its organisational structure.
- D** reduce productivity.

(b) Identify **two** elements of the marketing mix which *Apple* might change to improve its competitiveness.

(2)

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(c) Explain **one** reason why a strong brand might be important to *Apple*.

(3)

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(d) Market research is a way of gathering information from customers.

(i) Identify **one** method of collecting **qualitative** market research.

(1)

(ii) Explain how qualitative market research might allow *Apple* to improve its marketing mix.

(3)

(Total for Question 2 = 10 marks)



3

The Range is a national chain of discount stores in the UK which has expanded rapidly. It sells a variety of products from furniture to stationery. From October of each year a quarter of each store's floor space is used to stock Christmas products such as Christmas trees, lights and decorations. To do this *The Range* de-stocks its summer products, such as garden furniture and barbecues. This involves selling off its summer products at lower prices.

(a) Which of the following is a cash inflow?

(1)

Select **one** answer.

- A** Payments to suppliers.
- B** Purchasing assets.
- C** Longer credit terms for customers.
- D** Taking out a bank loan.

(b) Identify **two** reasons why *The Range* might want to establish more favourable credit terms with suppliers.

(2)

1

2

(c) (i) Identify **one** internal source of finance which *The Range* might use to expand its business.

(1)

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(ii) Explain **one** benefit to *The Range* of using internal sources of finance for growth.

(3)

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(d) Explain **one** advantage to *The Range* of de-stocking its summer products.

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(Total for Question 3 = 10 marks)



4

Marks and Spencer sells clothes, furniture and food. It is recognised by customers as having very good levels of customer service.

(a) Which of the following is the most likely result of good customer service at *Marks and Spencer*? (1)

Select **one** answer.

- A** Increased repeat purchases.
- B** Lower profits.
- C** Lower margin of safety.
- D** Increased cash outflows.

(b) Outline **one** consumer protection law that *Marks and Spencer* must follow. (2)

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(c) *Marks and Spencer* carries out research and development. One product which resulted from this research was a machine washable wool suit which did not need to be dry cleaned.

Explain **one** benefit of research and development such as this to *Marks and Spencer*. (3)

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(d) In 2009 *Marks and Spencer* faced falling sales. It wanted to maintain its profits and looked at either cutting prices or increasing advertising.

Which of these **two** methods do you think would be more effective in allowing *Marks and Spencer* to maintain its profits and why?

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(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS



SECTION B

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

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

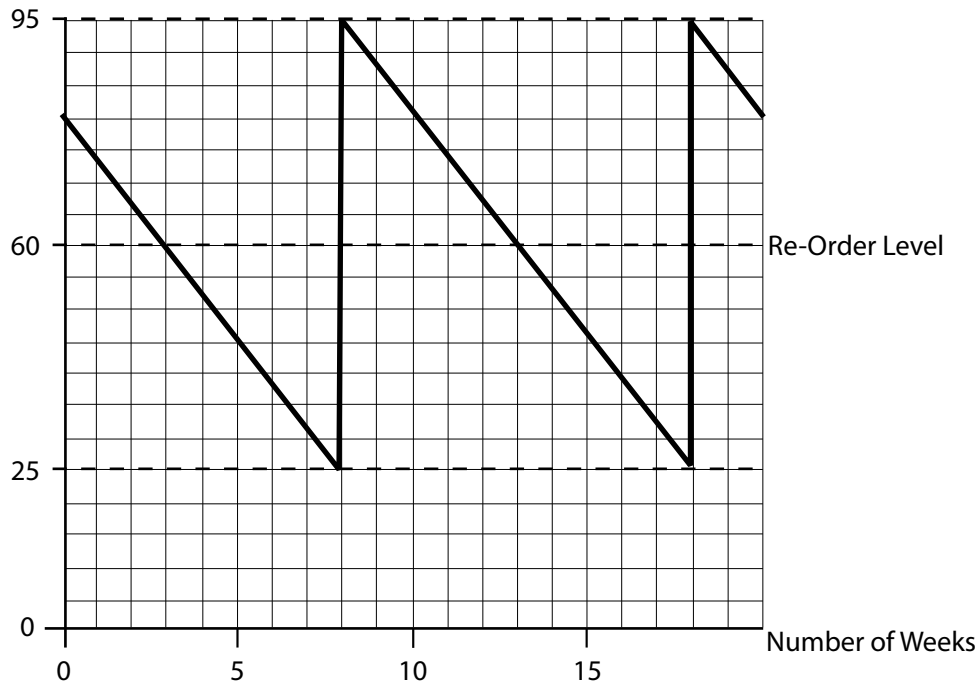
The *Saltash Toy Box* is a small, independent toy retailer located in Cornwall. It cannot compete on price with larger toy retailers such as *Toys R Us*, but instead focused on customer service and allowing children to play with toys, in store, before parents buy them.

In December 2009, the 'must-have' Christmas toy was the *Go-Go Hamster*. A *Go-Go Hamster* is a small motorised hamster which squeaks when it bumps into items of furniture. The *Saltash Toy Box* hoped that it would sell large quantities of this toy.

Despite its efforts to compete, however, sales at the store remained low. The owner decided to change the focus of the business. In 2010, the *Saltash Toy Box* closed its only retail store and instead decided to focus on catalogues and its website as a way of making sales. It believed this would boost the company's profits and increase the productivity of its two staff.

- 5 The diagram below illustrates the bar gate stock graph for *Go-Go Hamsters* at the *Saltash Toy Box*.

Stock Level



(a) What is meant by the term '**stock**'?

(2)

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(b) Using the diagram, identify the number of *Go-Go Hamsters* the *Saltash Toy Box* holds as a buffer stock.

(1)

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(c) Use the diagram to calculate how many weeks it will take for stock of *Go-Go Hamsters* to arrive at the *Saltash Toy Box* after re-ordering.

(2)

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(d) Describe **one** possible disadvantage to the *Saltash Toy Box* of holding a large stock of toys.

(3)

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As a result of the decision to close its store, the *Saltash Toy Box* changed the way it held stock. It now uses a Just In Time (JIT) method of stock control.

*(e) State **one** advantage and **one** disadvantage to the *Saltash Toy Box* of adopting a Just in Time (JIT) method of stock control. For each, explain one likely effect on the business.

(8)

Advantage

Explanation

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Disadvantage

Explanation

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(Total for Question 5 = 16 marks)



6 (a) (i) What is meant by the term 'profit'?

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(ii) Identify **one** method the *Saltash Toy Box* could use to increase profit.

(1)

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(b) Explain **one** possible benefit of improved productivity to the *Saltash Toy Box*.

(3)

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Closing down its retail store and focusing on selling through catalogues and its website has reduced costs at the *Saltash Toy Box* by 25%.

*(c) Assess the effect of the change of focus on the competitiveness of the *Saltash Toy Box*.

(8)

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(Total for Question 6 = 14 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 7 to 10.

In October 2009, the UK government increased the National Minimum Wage by 7p to £5.80 per hour. In 2008 the minimum wage had been raised by 21p per hour. Although workers welcomed the rise, there was concern that the 7p per hour increase was too small to support the lowest paid workers in the UK.

Many businesses, however, were upset by the new increase. They wanted the minimum wage to be kept at £5.73 per hour. Any increase in the minimum wage adds to their costs. In 2009–2010 many businesses were facing low demand and falling profits. Many businesses believe that any increase in the minimum wage will increase unemployment in low-skilled industries such as cleaning and hospitality.

7 What is meant by the term **minimum wage**?

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(Total for Question 7 = 2 marks)

8 Other than wages, identify **two** methods of remunerating workers.

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2

(Total for Question 8 = 2 marks)



9 Discuss the importance of increasing wages as a method of motivating workers employed in low-skilled industries.

Dotted lines for writing the answer.

(Total for Question 9 = 6 marks)



***10** Using your knowledge of business, assess whether it was right for the government to increase the national minimum wage to £5.80 per hour.

Dotted lines for writing.



Blank writing area with horizontal dotted lines.

(Total for Question 10 = 10 marks)

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



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