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Surname	Other names
Centre Number	Candidate Number
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Edexcel GCE	
Business Studies/Economics and Business Advanced Subsidiary Unit 1: Developing New Business Ideas	
Thursday 8 January 2009 – Morning Time: 1 hour 15 minutes	Paper Reference 6BS01/01 6EB01/01
You do not need any other materials.	Total Marks
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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 in Section A and **all** parts of the question in Section B.
- Answer the questions in the spaces provided
– *there may be more space than you need.*
- You may use a calculator.

Information

- The total mark for this paper is 70.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Quality of written communication will be taken into account in the marking of your answers.
– *you should take particular care with your spelling, punctuation and grammar, as well as the clarity of expression.*

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 in this section.

Write the letter of your chosen answer in the box and then explain your choice in the space provided.

You are advised to spend 30 minutes on this section.

You are encouraged to use a diagram in your explanation where appropriate.

- 1** (a) Pasta prices climbed by as much as 20% in Italy in the autumn of 2007. Manufacturers said that there were several reasons to explain this.
- Which of the following is the **least likely** explanation for the pasta price increase?
- A** That many farmers had replanted their wheat fields with sunflower seeds to take advantage of the explosion in demand for biofuels.
 - B** Growing prosperity, and consequent demand for meat in developing nations, which boosted the requirement for animal feed, including wheat.
 - C** Decreased costs of advertising for the SMA supermarket chain in Italy.
 - D** A reduction in EC subsidies to wheat farmers.

Answer (1)

(b) Explain why this answer is correct. (3)

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(Total for Question 1 = 4 marks)



2 (a) Sue Russell decided that she would leave her job at Denby Potteries (UK) Ltd in order to set up her own business.

Which of the following is the **most likely** explanation for Sue's decision to set up her own business?

- A To develop a niche market
- B To reduce risk-taking
- C For non-ethical reasons
- D To work independently

Answer

(1)

(b) Explain why this answer is correct.

(3)

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(Total for Question 2 = 4 marks)



3 (a) Virgin Active Holdings Ltd, a well known private leisure chain of health clubs, is considering how to position a new health club in a city centre.

Which of the following might be described as a method of market positioning?

- A** Market mapping
- B** Market orientation
- C** Market segmentation
- D** Market sampling

Answer

(1)

(b) Explain why this answer is correct.

(3)

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(Total for Question 3 = 4 marks)



4 (a) GAME Group plc, the high street retailers of computer games in the UK, experienced an increase in sales in 2007 to £807m (up 24%). Gross profit was £218m (up 25%) and operating profit £33m (up 175%).

Which of the following is the operating profit margin of GAME Group plc in 2007?

- A 27.01%
- B 4.09%
- C 15.13%
- D 150%

Answer

(1)

(b) Explain why this answer is correct (show all your workings).

(3)

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(Total for Question 4 = 4 marks)



5 (a) Facebook began as a social networking site for university students in the USA and was reported to be worth in excess of \$2,000 million in September 2007.

Which of the following is the **most likely** source of the \$500,000 start-up capital for Facebook owner Mark Zuckerberg?

- A A Commercial Bank
- B Debenture Company
- C Venture Capitalist
- D Trade Creditor

Answer

(1)

(b) Explain why this answer is correct.

(3)

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(Total for Question 5 = 4 marks)



6 (a) The University of Warwick conducts secondary research in order to assist in improving its market position as one of the leading universities in the UK.

Which of the following is **not** an example of secondary research?

- A In-depth interviews with open day visitors
- B Using market intelligence reports
- C Information from the University and Colleges Admissions Service
- D Higher Education articles in the Times Education Supplement

Answer

(1)

(b) Explain why this answer is correct.

(3)

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(Total for Question 6 = 4 marks)



7 (a) Bannantynes Leisure, a chain of health clubs founded by entrepreneur Duncan Bannantyne, is often affected by external economic influences.

Which of the following might be regarded as the **least significant** external economic influence for Bannantynes?

- A Interest rates
- B The balance of payments
- C Unemployment rates
- D The rate of inflation

Answer

(1)

(b) Explain why this answer is correct.

(3)

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(Total for Question 7 = 4 marks)



8 (a) The Ikea Group, owned by Swedish entrepreneur Ingvar Kamrad, has a large workforce made up of employees ranging from full-time permanent to part-time seasonal staff. Ingvar's management style has been described by his staff as restrictive and absolute.

Which of the following management styles would **most** apply to Ingvar Kamrad?

- A Democratic – consultative
- B Democratic – paternalistic
- C Autocratic
- D Laissez Faire

Answer

(1)

(b) Explain why this answer is correct.

(3)

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(Total for Question 8 = 4 marks)

TOTAL FOR SECTION A = 32 MARKS



SECTION B

You are advised to spend 45 minutes on this section.

Evidence A – Reggae Reggae Sauce

For years Levi Roots made his hot Reggae Reggae Sauce from his kitchen in Brixton with the help of his seven children. Levi became a local fixture at Brixton market in London, selling his sauce out of a rucksack. The overwhelming popularity of the sauce among Brixton's large Caribbean community made Levi and his sauce a local celebrity.



However, it was in 1991 at the Notting Hill Carnival when Levi really recognised the potential the sauce had to make him a fortune. His Notting Hill Carnival stall was called the Rasta'raunt because it was more than a food experience.

Through Reggae Reggae Sauce, Levi believed he could combine his two great passions, creating a fusion between the food he was cooking and the music he was singing. Business was going to get much better because in January 2007 Levi Roots appeared on the BBC show Dragons' Den.

Levi recalls... "I was broke. In my pocket was twenty quid; all I had to my name. That morning I called to order the mini cab, asked the controller about the fare, he told me twelve quid to the Dragons' Den in London Bridge."

The idea of Dragons' Den is to pitch, barter and sell your business or invention to five multi-millionaires. If you can convince them that you are someone who can give a return for their investment, you will get their venture capital.

Levi Roots persuaded TV entrepreneurs to invest £50,000 in his sauce-making business. His Reggae Reggae Sauce is now on sale in over 600 Sainsbury's stores. Levi said events since appearing on the show had been "amazing and life changing. The deal with Sainsbury's is a dream come true for me and my family, and seeing the sauce on the supermarket shelves was an emotional but enjoyable moment."

Dragons' Den venture capitalists Peter Jones and Richard Farleigh each paid Brixton-based Levi Roots £25,000 in return for a 20% stake in his company. Peter Jones said: "Levi is a great guy and he's created a great product which he is passionate about.... I am sure his deal with Sainsbury's will be the first of many fantastic milestones on the way to business success and making his dreams a reality."

Sainsbury's buyer Nick Paddison said the chain had been hugely impressed with the product. "It fits perfectly with our ethos to encourage customers to try something new and our desire to help nurture smaller, niche suppliers, so we have pulled out all the stops to make it available in stores as quickly as possible," he said.



9 (a) Levi Roots carried out product trials at the Notting Hill Carnival before producing significant quantities of Reggae Reggae Sauce.

Briefly explain **two** reasons why Levi Roots conducted product trials.

(6)

Reason 1

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Reason 2

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(b) Explain why it was necessary for Levi Roots to seek Venture Capital to help finance the growth of his business.

(4)

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(c) In his attempts to persuade the Dragons to finance his business venture, it might have been useful for Levi to have prepared break-even analysis for Reggae Reggae Sauce.

Assess the likely value of break-even analysis to Levi Roots.

(8)

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