

Write your name here	
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	
New Template Exemplar 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 on these questions 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.

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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 should spend 30 minutes on this section. Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1** (a) BT is conducting a product trial on its 'broadband-in-a-box'. BT hopes that its product will make it much easier to sign up to and start using fast internet access.

What is a product trial?

- A** Judging a product in relation to the market leader
- B** Legal action taken when a product fails to meet appropriate standards
- C** Initial product testing as part of Research and Development
- D** Test marketing a product to assess consumer reaction and identify possible problems

Answer

(1)

- (b) BT wants to conduct a product trial on its "broadband-in-a-box".

Explain why.

(3)

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(Total for Question 1 = 4 marks)



2 (a) Fashion retailer Ted Baker had rising sales and profits in the half-year ending August 2006. Revenue was £61.1m (up 6.9%), gross profit was £34.5m (up 6.0%) and operating profit £7.0m (up 12.6%).

Calculate Ted Baker's gross profit margin in the half-year ending August 2006.

- A 77.1%
- B 56.5%
- C 6.0%
- D 11.5%

Answer

(1)

(b) Show your calculation of the gross profit margin below (show all your workings).

(3)

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(Total for Question 2 = 4 marks)



3 (a) Court Lodge Organics has developed a profitable niche market selling drinking yoghurt.

Which of the following statements about niche markets is **not** true?

- A Firms in niche markets will not have much competition
- B Consumers in niche markets may not have the same tastes and preferences as the mass market
- C Prices are usually lower in niche markets
- D Quality and reliability are less important in niche markets

Answer

(1)

(b) Firms such as Court Lodge Organics may wish to target niche markets.

Explain why.

(3)

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(Total for Question 3 = 4 marks)



4 (a) European aircraft maker Airbus now says it needs to sell not 420 but 270 A380 superjumbo jets in order to break-even.

In order to calculate a firm's break-even point, which of the following do you **not** need to know?

- A Fixed costs
- B Variable costs
- C The margin of safety
- D The selling price

Answer

(1)

(b) It may take companies longer to break-even than they first thought.

Give **one** possible reason why.

(3)

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(Total for Question 4 = 4 marks)



5 (a) Ryanair sold tickets for a flight to Ireland for £1.99. The increase in environmental tax meant that the final price charged to passengers was £26.45.

How might this increase in taxes affect Ryanair?

- A Ryanair would make more profit
- B Ryanair would have rising costs
- C Customers would fly to different destinations
- D Ryanair might see a reduction in the number of passengers

Answer

(1)

(b) Ryanair decided to price tickets at £1.99, not at £2.00.

Explain why.

(3)

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(Total for Question 5 = 4 marks)



6 (a) Number Eleven Cadogan Gardens is a luxurious 65-room townhouse hotel, just off Sloane Square. It offers debentures to its investors.

One way of financing a business is to issue a debenture.

Which of the following statements about debentures is true?

- A A debenture may be secured against the company's assets
- B Debentures pay a variable rate of interest to the lender
- C Debentures can be repaid over an unspecified period of time
- D Debentures are often used by sole traders

Answer

(1)

(b) Firms may offer debentures rather than use other types of borrowing.

Explain why.

(3)

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(Total for Question 6 = 4 marks)



7 (a) Business Data Consulting conducts primary research to help companies make important decisions and get the best from their trading relationships in overseas markets.

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

- A Talking to retailers
- B In-depth interviews with customers
- C Using market intelligence reports
- D Consumer questionnaires

Answer

(1)

(b) Secondary research can also be a useful source of research information for companies.

Explain why.

(3)

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(Total for Question 7 = 4 marks)



8 (a) The Scottish Executive has stated that farmers in Scotland now produce enough organic food to meet 70% of consumer demand for home-grown products.

Which of the following factors is **least likely** to affect consumer demand?

- A The cost to produce
- B The number of potential consumers
- C The retail price
- D Tastes and preferences

Answer

(1)

(b) Explain why this factor is **least likely** to affect consumer demand.

(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

Innocent Drinks was started by Dan Germain and three university friends. They had always talked about schemes for starting businesses, but when they left Cambridge they all went into 'grown-up jobs' for several years.

'Grown-up jobs' did not dampen their appetite for enterprise and they decided to set up a limited company making smoothies. Uncertain whether to give up their day jobs, they kept them, but spent £500 on fruit and made it into smoothies, which they sold from a stall at a small music festival in London.

They put up a sign saying 'Do you think we should give up our day jobs to make these smoothies?' and provided a 'yes' bin and a 'no' bin for the empty bottles. By the end of the weekend, the 'yes' bin was full. On the Monday they all resigned.



Innocent Drinks created a range of smoothies made from 100% pure and fresh fruit and nothing else. Careful production and high-tech packaging gave it the longest possible shelf life, but they had not compromised their principles by what Dan calls "messing about with it". Drinks were delivered in 'cow vans' and 'grass vans'. A fun website was designed to communicate with consumers.

Early sales were through local delicatessens and sandwich shops, but it was not long before Coffee Republic agreed to stock Innocent Drinks in their eight or nine shops. Since then, Innocent Drinks have grown steadily, at a rate of 50–60% a year, and now supply most of the major supermarkets, but they are still careful to keep their original small shops happy.

Recipes created at their London offices are tested on people in surrounding office buildings. The drinks are sold in outlets across the UK and Europe. According to Dan there are still plenty of people who have not yet tasted Innocent Drinks. There is some way to go before they can claim to be 'Europe's favourite little juice company'.

Fruit is sourced from all over the world and the company has developed close relationships with growers. Regular sampling ensures that only the best fruit is used in the drinks. Innocent Drinks has expanded its range from the original 100% fruit smoothies to fruit juices and yoghurt-based drinks.

How has the company grown so dramatically using retained profit, whilst avoiding all the potential pitfalls of growing a business? Dan replies, "Our growth was carefully planned and steady. We didn't take on anything we weren't capable of doing".

(Source: Adapted from: <http://www.bcentral.co.uk/business-information/starting-up/forming-a-company/innocent-drinks.msp> (viewed 16/01/07))



9 (a) It was a good idea for the founders of Innocent Drinks to undertake market research at a music festival, before giving up their 'day jobs'.

Briefly explain **two** reasons why.

(6)

Reason 1

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Reason 2

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(b) Examine **one** way that Innocent Drinks has achieved competitive advantage.

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(d) Assess the implications of using only retained profit in order to fund growth.

(8)

Handwriting practice area consisting of 25 horizontal dotted lines.



Second stakeholder group:

(The following area contains 22 horizontal dotted lines for student responses.)

(Total for Question 9 = 38 marks)

TOTAL FOR SECTION B = 38 MARKS
TOTAL FOR PAPER = 70 MARKS



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