

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**

Tuesday 22 May 2012 – Afternoon  
**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** 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.*
- 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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**PEARSON**

**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 **one** of the following is an example of a fixed cost for a biscuit manufacturer?

Select **one** answer:

- A** Sugar used in production
- B** Rent of the business premises
- C** Packaging used with the biscuits
- D** Chocolate chips used in each biscuit

**(Total for Question 1 = 1 mark)**

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**2** Which **two** of the following are possible disadvantages to an individual of starting a new business as a franchise?

Select **two** answers:

- A** The franchisor receives all the profits of the business
- B** High initial start-up costs for the franchisee
- C** The franchisor provides ongoing support and guidance
- D** A franchisee pays a higher rate of VAT than a sole trader
- E** The franchisee has less flexibility to make business decisions

**(Total for Question 2 = 2 marks)**

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The diagram below represents the selling price per unit at each stage in the production of a packet of crisps. For example, the farmer sells potatoes to the processor for 5p per unit.



3 In money terms, which stage in the production process adds the **most** value?

Select **one** answer:

- A** Farmer to processor
- B** Processor to manufacturer
- C** Manufacturer to retailer
- D** Retailer to consumer

**(Total for Question 3 = 1 mark)**

4 Which **one** of the following is **NOT** a source of added value for the retailer when selling crisps to the consumer?

Select **one** answer:

- A** The brand name of the crisps
- B** A unique selling point of the crisps
- C** Competitors' crisp prices
- D** The quality of the crisps

**(Total for Question 4 = 1 mark)**

5 Potatoes are an example of a commodity. Which **three** of the following will directly affect the supply of potatoes?

Select **three** answers:

- A** Higher demand for potatoes by businesses in the food industry
- B** Ideal weather leads to a successful harvest of potatoes
- C** Rising income of consumers who buy potatoes
- D** Lower costs for farmers who grow potatoes
- E** Increased advertising for potato products, such as crisps
- F** Improved technology available to potato farmers

**(Total for Question 5 = 3 marks)**



**Questions 6 to 9 are based on the information below.**

Sanjay had developed a product that helped disabled people handle kettles and saucepans more easily.

He approached different manufacturers to see what they thought of his product. However, none of them were willing to produce it for him.

As a result, Sanjay decided to set up in business as a private limited company and manufacture the new product himself.

**6** Bringing a new product to the market is called:

Select **one** answer:

- A** invention
- B** enterprise
- C** innovation
- D** franchise

**(Total for Question 6 = 1 mark)**

**7** Sanjay has applied for a patent for his product.

The main purpose of a patent is:

Select **one** answer:

- A** to make it easier for Sanjay to pay any taxes due
- B** to ensure that Sanjay gets repeat purchases
- C** to place a limit on the number of people who can copy Sanjay's idea
- D** to register a new invention so Sanjay has sole rights to its use.

**(Total for Question 7 = 1 mark)**

**8** Which **two** of the following might be reasons why Sanjay chose to set up as a private limited company?

Select **two** answers:

- A** Sanjay would not have to produce a business plan to set up his business
- B** Sanjay wanted to take all the profits for himself
- C** Sanjay could protect his personal possessions due to limited liability
- D** Sanjay would not have to make any of the important business decisions
- E** Sanjay could issue more shares if he needed to raise finance

**(Total for Question 8 = 2 marks)**



9 In deciding to set up in business and manufacture the product himself, which of the following questions should Sanjay **NOT** have asked himself?

Select **one** answer:

- A What are the set hours I will work?
- B Why not go it alone?
- C What if the business were to fail?
- D Is the risk worth taking?

(Total for Question 9 = 1 mark)

Read the following passage and then answer questions 10 to 12 which follow.

Steve Wade is a painter and decorator. He operates as a sole trader. He bases his pricing on the costs he has to pay on an average job.

He estimates the variable cost per day at £75 which includes the fuel he uses in his vehicle, the cost of paint, sandpaper, wallpaper and adhesive.

His fixed costs include insurance, the cost of the van that he runs, administration and advertising. He estimates the fixed costs to be £1 500 each month.

He charges customers £200 per day.

10 If Steve does 15 days work in March, what will his total costs be for the month?

Select **one** answer:

- A £1 125
- B £2 500
- C £2 625
- D £3 000

(Total for Question 10 = 1 mark)

11 Steve does 20 days work in May. What is the profit he makes in this month?

Select **one** answer:

- A £1 000
- B £1 375
- C £2 425
- D £2 500

(Total for Question 11 = 1 mark)



**12** Steve wanted to raise some additional finance using a loan from his bank. The bank asked Steve to prepare a cash flow forecast for the year.

Which **three** of the following are **most likely** to be the reasons why Steve's bank would want to see a cash flow forecast?

Select **three** answers:

- A** A cash flow forecast removes all the risks of running a business
- B** To see whether Steve would be able to pay back the money he might borrow
- C** To see if Steve could add up figures properly
- D** To help them decide if Steve's business is a worthwhile risk for the bank
- E** Poor cash flow is one of the main reasons why small businesses fail
- F** There is a legal requirement that a new business should have a cash flow forecast

**(Total for Question 12 = 3 marks)**

**Questions 13 to 15 are based on the information below.**

Nelson's Ltd is a family-run butchers located in a small Midlands town. It faces major competition from a large supermarket located on the edge of the town.

**13** Which **two** of the following would be the **most likely** ways in which Nelson's could successfully compete with the supermarket?

Select **two** answers:

- A** Focus on the quality of its products
- B** Launch a nationwide TV advertising campaign
- C** Reduce the opening hours of the butchers
- D** Offer services such as delivery and preparing meat to order
- E** Offer the same range of products as the supermarket

**(Total for Question 13 = 2 marks)**



**14** Nelson's Ltd carried out research to see if there was a market gap in the area. The following market map was produced. This shows the type of businesses selling meat in the area.



Using the market map, which **two** conclusions can Nelson's Ltd draw from the information?

Select **two** answers:

- A** There is a gap in the market for high-quality businesses selling a wide range
- B** There is no opportunity for new business ideas
- C** The supermarket has eliminated all competition in the town
- D** The costs of running a specialist butcher are high
- E** There is competition for specialist butchers

**(Total for Question 14 = 2 marks)**

**15** Which **three** of the following are taxes that a business like Nelson's Ltd may have to pay?

Select **three** answers:

- A** Income Tax
- B** Distribution Tax
- C** National Insurance Contributions
- D** Business Tax
- E** Value Added Tax
- F** Corporation Tax

**(Total for Question 15 = 3 marks)**



Questions 16 to 18 are based on the information below.

The following table shows the total revenue, total costs and profit for a business for three months of the year.

16 Fill in the **three** blanks in the table.

	June £	July £	August £	
Total revenue		15 000	16 000	(1)
Total costs	10 000		14 000	(1)
Profit	12 500	3 000		(1)

(Total for Question 16 = 3 marks)

17 What **two** conclusions can be drawn from the above table regarding the performance of the business?

Select **two** answers:

- A The cash flow of the business in June must be positive
- B Total costs are 40% higher in August compared to June
- C The level of competition in the market is likely to have fallen
- D Profit has fallen between June and July
- E Total revenue rises by 20% between July and August

(Total for Question 17 = 2 marks)





**18** The following table shows the profit for the same business during the next three months.

	September £	October £	November £
Profit	1 000	-1 000	-10 000

Which are the **two most likely** impacts on the business of the changes shown in the table?

Select **two** answers:

- A** The business will find it difficult to pay suppliers
- B** Customers will buy less from the business
- C** There is likely to be less money available to invest in the business
- D** The business will need to increase costs
- E** Banks will be more willing to provide a loan to the business

**(Total for Question 18 = 2 marks)**

**19** Entrepreneurs have different objectives when choosing to start a business. Some are financial and others non-financial.

Which **three** of the following are examples of non-financial objectives for starting a business?

Select **three** answers:

- A** To achieve personal satisfaction
- B** To be able to make key decisions
- C** To increase yearly income
- D** To receive dividends from the profit of the business
- E** To be able to help others
- F** To increase personal wealth

**(Total for Question 19 = 3 marks)**



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

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	
Groups or individuals with an interest in a business.	i
A key feature enabling customers to recognise a business as being different to rivals.	ii
The combination of price, product, promotion and place.	iii
A long-term source of finance provided by expert investors who take a role in running the business.	iv
The sum of the money coming into and going out of a business over a period of time.	v

Term	
a	Lateral thinking
b	Cumulative cash flow
c	Stakeholders
d	Unique trading name
e	Venture capital
f	Staff attitudes
g	Marketing mix
h	Shareholders

**(Total for Question 20 = 5 marks)**

**TOTAL FOR PAPER = 40 MARKS**



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