

Write your name here

Surname

Other names

**Pearson**  
**Edexcel GCSE**

Centre Number

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Candidate Number

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

Wednesday 25 May 2016 – Morning  
**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.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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P 4 6 5 2 2 R A 0 1 1 2

**PEARSON**

Answer ALL questions. Write your answers in the spaces provided.

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 ☒.

These are the monthly cash flow figures for a business.

Opening balance £10 000    Cash inflow £14 000    Cash outflow £28 000

1 What is the closing balance for the business at the end of the month?

Select **one** answer.

- A -£14 000
- B -£4 000
- C £24 000
- D £38 000

(Total for Question 1 = 1 mark)

2 Which **two** of the following factors would be important for a sole trader when starting up a hairdressing business?

Select **two** answers.

- A Ability to raise share capital
- B How to finance the business
- C Able to produce products cheaply
- D The exchange rate
- E The legal aspects

(Total for Question 2 = 2 marks)

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- 3 Jazwinder runs a coffee shop. Recently sales have been falling and she needs to motivate her staff.

Which **one** of the following is **likely** to motivate her staff?

Select **one** answer.

- A Allowing staff to work flexible hours
- B Complaining about the attitude of staff
- C Introducing a customer loyalty scheme
- D Working longer hours without extra pay

(Total for Question 3 = 1 mark)

- 4 Economic activity is increasing. Martin, the owner of a printing business, wants to take advantage of this increase.

Which **two** actions should he take?

Select **two** answers.

- A Change the name of his business
- B Reduce orders to suppliers
- C Recruit more staff
- D Increase product range
- E Move to smaller premises

(Total for Question 4 = 2 marks)



Questions 5–9 are based on the scenario below.

Nick Nocha moved from Italy with his family in 2010 to live in England. In 2012 he set up as a sole trader making unique ice creams, which he only sold to local retailers. His business soon prospered and he moved production to a small factory. Local retailers liked his ice cream as it was different. He realised that this could be the opportunity he was looking for to develop his business further.

5 Which **two** of the following might help Nick to increase sales volume?

Select **two** answers.

- A Increase spending on marketing
- B Employ fewer production staff
- C Failure of a competitor
- D Reduce net cash flow
- E Increase the price of all of his products

(Total for Question 5 = 2 marks)



Nick carried out some market research in his local town of Camelford. He was very keen to ensure that he had a true reflection of what people wanted from their ice cream and so interviewed 200 people. The following is the information he gathered.

Price of a tub of ice cream	% of people prepared to pay
£2.00–£4.00	91%
£4.01–£5.00	66%
£5.01–£6.00	56%
£6.01–£7.00	32%
£7.01–£8.00	12%
£8.01 +	3%

Table 1

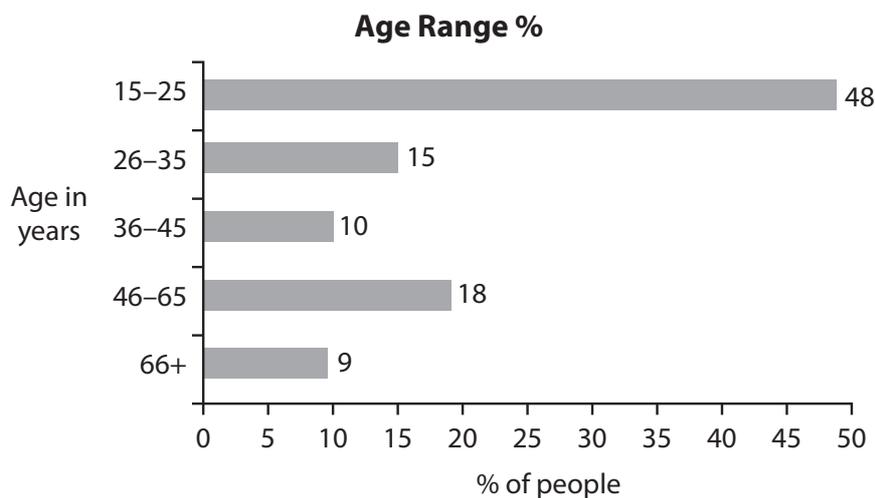


Chart 1: Graph showing the age range sample

6 Using Table 1 and Chart 1, which **two** conclusions can Nick make?

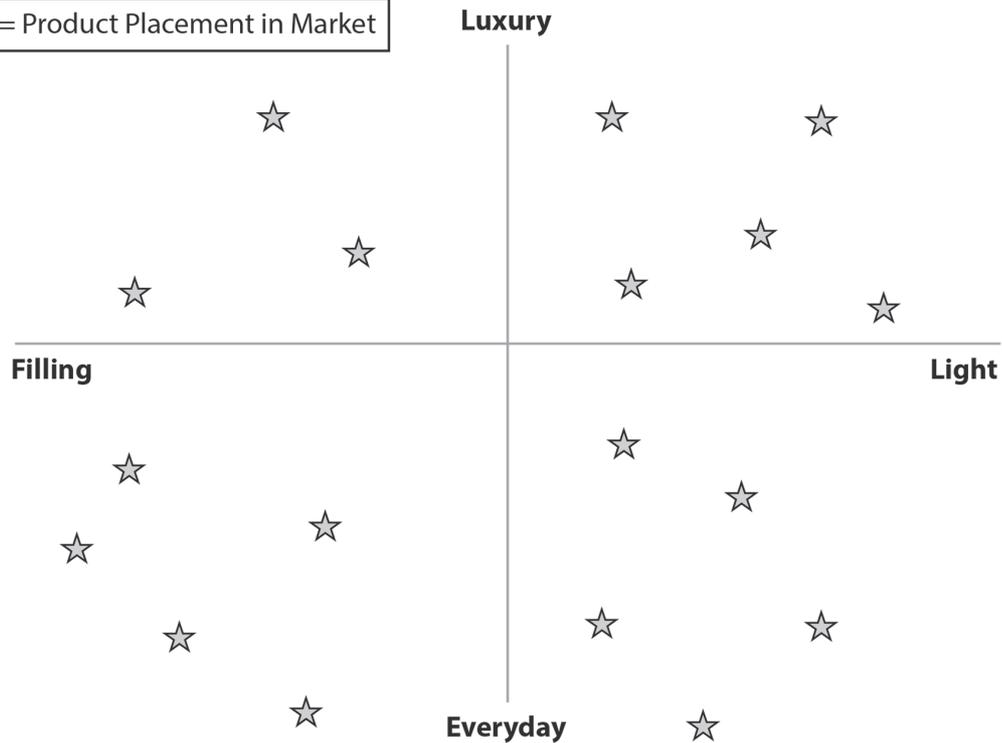
Select **two** answers.

- A 15 people would pay more than £7 for a tub of ice cream
- B 37% of those interviewed were over the age of 35
- C More ice cream is eaten by those under 15
- D 112 people would pay up to £6 for a tub of ice cream
- E A profit would only be made on £5.50 for a tub of ice cream

(Total for Question 6 = 2 marks)



☆ = Product Placement in Market



7 Where is the gap in this market?

Select **one** answer.

- A Light everyday
- B Everyday filling
- C Light luxury
- D Luxury filling

(Total for Question 7 = 1 mark)

8 Nick has seen the price of sugar, a commodity he uses, increase.

Which **three** factors are the **likely** causes of this increase?

Select **three** answers.

- A Lower demand for sugar
- B Bad weather reduces the sugar harvest
- C Government report showing the benefits of ice cream
- D Farmers increase sugar production
- E Nick's energy costs increase
- F Sugar farmers pay higher wages

(Total for Question 8 = 3 marks)



9 Repeat purchases are an indicator of customer satisfaction.

Which **two** of the following are **likely** to lead to repeat purchases?

Select **two** answers.

- A Introducing a customer loyalty scheme
- B Charging a higher price
- C Increasing ice cream production
- D Ensuring customer orders are accurate
- E Having customer feedback sheets

(Total for Question 9 = 2 marks)

10 Which **two** of the following could be the effects on small businesses if interest rates were to rise significantly?

Select **two** answers.

- A Improved net cash flow
- B Reduced consumer demand
- C Fixed costs will fall
- D Overdrafts will become cheaper
- E The risk of insolvency is greater

(Total for Question 10 = 2 marks)

11 Which **one** of the following best describes lateral thinking?

Select **one** answer.

- A Generating ideas using a quantitative approach
- B Detailed planning following a set process
- C Working to a planned timetable
- D Solving problems using a creative approach

(Total for Question 11 = 1 mark)



Questions 12–15 relate to the following text.



### WEDGEWELLY LTD

Mike, Sarah and Laura started a business called *WedgeWelly*. It makes Wellington boots with a high heel to appeal to women and festival-goers.

Mike, Sarah and Laura wanted to expand *WedgeWelly* but needed additional capital. They appeared on the television programme *Dragons' Den*. One of the venture capitalists (a Dragon) invested £65 000 for a 25% stake in the business.

(Source: <http://www.wedgewelly.co.uk/>)

**12** Which **two** of the following are disadvantages to Mike, Sarah and Laura of a venture capitalist investing in their business?

Select **two** answers.

- A** The venture capitalist risks losing their investment
- B** Higher corporation tax will need to be paid
- C** Potential conflict between the shareholders
- D** The risk of *WedgeWelly* failing is reduced
- E** It will reduce the control of the existing owners

(Total for Question 12 = 2 marks)

**13** Mike, Sarah and Laura need high-quality employees.

Which **two** of the following are desirable employee attitudes?

Select **two** answers.

- A** Has worked in a retail shop for 10 years
- B** A willingness to undertake training
- C** Has five GCSEs including English and Maths
- D** An ability to operate different machinery
- E** Being prepared to work as part of a team

(Total for Question 13 = 2 marks)



**14** The owners of *WedgeWelly* needed to protect their design by using a patent.

What are **two** possible benefits of a patent?

A patent:

Select **two** answers.

- A** provides proof of ownership of an invention or process
- B** ensures that a business will not make any losses
- C** establishes sole rights to the use of a product
- D** is an insurance policy that provides protection for 20 years
- E** prevents other businesses from using the brand name

(Total for Question 14 = 2 marks)

**15** *WedgeWelly* has many variable costs when running the business.

Which **one** of the following is an example of a variable cost?

Select **one** answer.

- A** Loan repayments
- B** Salaries
- C** Insurance
- D** Raw materials

(Total for Question 15 = 1 mark)

**16** A large number of small businesses fail within the first two years.

Identify **two** reasons why so many small businesses fail in the first two years.

Select **two** answers.

- A** Revenue higher than costs
- B** Product not customer orientated
- C** Having a detailed Business Plan
- D** Good repeat business
- E** Rapid growth and over expansion.

(Total for Question 16 = 2 marks)



17 The following is an extract of financial information for a small gardening business. It shows the costs, revenues and profit.

Fill in the **three** blanks.

	August	September	
Total revenue	£6 500		(1)
Fixed costs	£1 000	£1 000	
Variable costs		£5 300	(1)
Total cost	£5 400		(1)
Profit	£ 1 100	−£1 450	

(Total for Question 17 = 3 marks)

18 Which **two** of the following documents would be used in the recruitment process?

Select **two** answers.

- A Business plan
- B Person description
- C Job description
- D Job enrichment
- E Application form

(Total for Question 18 = 2 marks)



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Amarjit would like a part-time job whilst raising her son. She has been offered a franchise selling healthy drinks and meal plans to help people lose weight. The company, *HealthyLife*, has been operating since 2000. She will pay *HealthyLife* £750 to become a franchisee and will receive the following:

- support from Katie, her team manager
- samples of the products she will sell
- manuals on the benefits of the products
- a sales area that is close to her home.

DO NOT WRITE IN THIS AREA

19 Which **two** of the following are benefits to Amarjit of becoming a *HealthyLife* franchisee?

Amarjit will:

Select **two** answers.

- A** not have to pay interest on a bank loan
- B** pay less corporation tax
- C** be selling an established brand
- D** be able to choose her own suppliers
- E** have a better chance of survival

(Total for Question 19 = 2 marks)



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

The first one has been done for you.

Term	
i	Commodities
ii	Corporation tax
iii	Qualitative data
iv	Branding
v	Enterprise
vi	Calculated risk

	Definition
A	Usually a name or image that identifies a business from its competitors.
B	Showing how an original idea can work in theory.
C	Paid by limited companies on their profits.
D	Information about opinions, judgements and attitudes.
E	Weighing up the probability of profit or loss.
F	Raw materials such as tin, wheat and oil.
G	The payment of a percentage of sales revenue to the government.
H	Involves taking risks, showing initiative and a willingness to undertake new ventures.
I	Using data to make products appear different.

- (i) ..... **F** .....
- (ii) .....
- (iii) .....
- (iv) .....
- (v) .....
- (vi) .....

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

**TOTAL FOR PAPER = 40 MARKS**

