

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCSE

Business Studies and Economics
Unit 5: Introduction to Economic Understanding

Wednesday 30 May 2012 – Morning
Time: 1 hour 30 minutes

Paper Reference
5BS05/01

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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PEARSON

SECTION A

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

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

1 (a) Which of the following best describes the term **profit**? (1)

Select **one** answer.

Where:

- A** total revenue is equal to total costs
- B** total revenue is increasing
- C** total revenue is decreasing
- D** total revenue is greater than total costs

(b) Outline **one** method a business might use to increase its profit. (2)

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(c) Define the term **cash flow**. (2)

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(d) Explain **one** effect of poor cash flow on a business.

(3)

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(Total for Question 1 = 8 marks)



In 2011 *British Gas* increased its gas prices by 18%.

Consumer Focus said that the effect on customers would be severe. There were calls for the competition authorities to investigate the large price increases by *British Gas* and other suppliers.

2 (a) The demand for gas is price insensitive.

Select **one** answer.

This means that when price increases:

(1)

- A** revenue increases
- B** costs decrease
- C** costs increase
- D** revenue decreases

(b) Outline **one** reason why the demand for gas is price insensitive.

(2)

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(c) Explain **one** likely effect on the customers of *British Gas* of its price increase.

(3)

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(d) Describe why the competition authorities might launch an investigation into the large increase in gas prices charged by suppliers.

(4)

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(Total for Question 2 = 10 marks)



India's Gross Domestic Product (GDP) grew by an average of 8.7% between 2006 and 2010. This has helped India to reduce poverty and raise the standard of living. However, there are negative externalities associated with economic growth.

India: GDP (%) rates 2006–2010.

2006	2007	2008	2009	2010
9.2	9.0	7.4	7.4	10.4

(Source: CIA World Fact book)

3 (a) Which of the following is the **most likely** cause of economic growth? (1)

Select **one** answer.

Increased:

- A investment
- B imports
- C interest rates
- D unemployment

(b) Other than economic growth, state **three** ways that measure the standard of living in countries such as India. (3)

- 1
- 2
- 3

(c) Explain **one** negative externality that India may experience as a result of its economic growth. (3)

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(d) Explain **one** way in which the Single European Market has led to higher standards of living within the EU.

(3)

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(Total for Question 3 = 10 marks)



In its August 2011 Inflation Report, the Bank of England stated that inflation was, on average, 4.4% between April and June 2011, and was likely to rise further.

4 (a) Which of the following best describes the term **inflation**? (1)

Select **one** answer.

- A** A rise in unemployment
- B** An increase in market share
- C** An increase in business failure
- D** A general rise in prices

(b) State **two** possible causes of inflation in a country such as the UK. (2)

1

2

Waitrose is a chain of supermarkets based in the United Kingdom (UK). The market it operates in is very competitive. *Waitrose* focuses on the quality of its products and customer service in order to compete.

(c) Explain **one** effect of inflation on retailers such as *Waitrose*. (3)

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SECTION B

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



Hewlett-Packard (HP) is the world's largest maker of personal computers. In 2011 it announced a £7 billion takeover of *Autonomy Corporation*, the largest UK software company.

HP announced it was to make changes to how the new business would operate.

5 (a) Identify and explain **one** benefit for *HP* of the takeover.

Benefit

(1)

Explanation

(3)



(b) Identify and explain **one** drawback for *HP* of the takeover.

Drawback

(1)

Explanation

(3)

(Total for Question 5 = 8 marks)



Bob Lesh has been a senior manager at *Autonomy Corporation* for the last five years. He had been in management positions in several IT firms since leaving university in the early 1980s.

- 6 Identify and explain **one** effect of the takeover of *Autonomy Corporation* on employees such as Bob Lesh.

Effect

Explanation

(Total for Question 6 = 4 marks)



8 In the last 30 years there has been less government regulation of business, but a greater acceptance of self-regulation. However, the *BP* oil spillage in the Gulf of Mexico in 2010 has changed attitudes.

(a) Define the term **self-regulation**.

(2)

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SECTION C

Answer ALL questions. You should spend 20 minutes on this section.

Read the following passage carefully and then answer questions 9 to 11.



(Source: www.publicintelligence.net)

In August 2011 there were riots in parts of London and other major UK cities and towns that lasted for several days. Many businesses were forced to close down as a result of the damage caused by the riots, such as the *House of Reeves* furniture store (pictured above).

Some people felt that the reason for the riots was the extent of the social problems that exist in some cities.

Some blamed the riots on a break down of law and order. Almost 75% of those aged over 18 who were charged with offences committed during the riots had previous convictions. There were calls for increased government spending on police and prison services to help reduce crime.

However, a government minister suggested that these social problems needed to be tackled by increased investment in employment, education and family.

9 What is meant by the term **social problem**?

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(Total for Question 9 = 2 marks)



There are many reasons why a business might fail.

10 Identify **two** possible reasons why a business such as *House of Reeves* might fail, other than as a result of the damage caused by the riots. For each reason explain how it would lead to business failure.

Reason 1

(1)

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Explanation

(3)

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Reason 2

(1)

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Explanation

(3)

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(Total for Question 10 = 8 marks)



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