

Write your name here

Surname

Other names

Centre Number

Candidate Number

**Edexcel GCSE**

**Business Studies (Short Course)**  
**Unit 6: Introduction to Small Business**

Wednesday 21 May 2014 – Morning  
**Time: 45 minutes**

Paper Reference  
**5BS06/01**

**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.*
- 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**

**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 short-term finance for a small business?

Select **one** answer:

- A** Bank loan
- B** Overdraft
- C** Share capital
- D** Personal savings

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

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**2** Which **two** of the following are questions an entrepreneur should ask to find out if there would be enough customers for a new business idea?

Select **two** answers:

- A** What is the average level of income of local people?
- B** What if fixed costs increase in the first six months?
- C** What type of promotion should I use?
- D** How many people live in the area?
- E** How much should I spend on advertising?

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

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**3** Which **two** of the following are examples of risks which increase the chance of a new business failing in its first year?

Select **two** answers:

- A** Variable costs turn out to be lower than forecast
- B** The bank increases interest rates on business loans
- C** There is less competition than expected in the local area
- D** There are more potential customers than market research suggested
- E** There is a downturn in economic activity

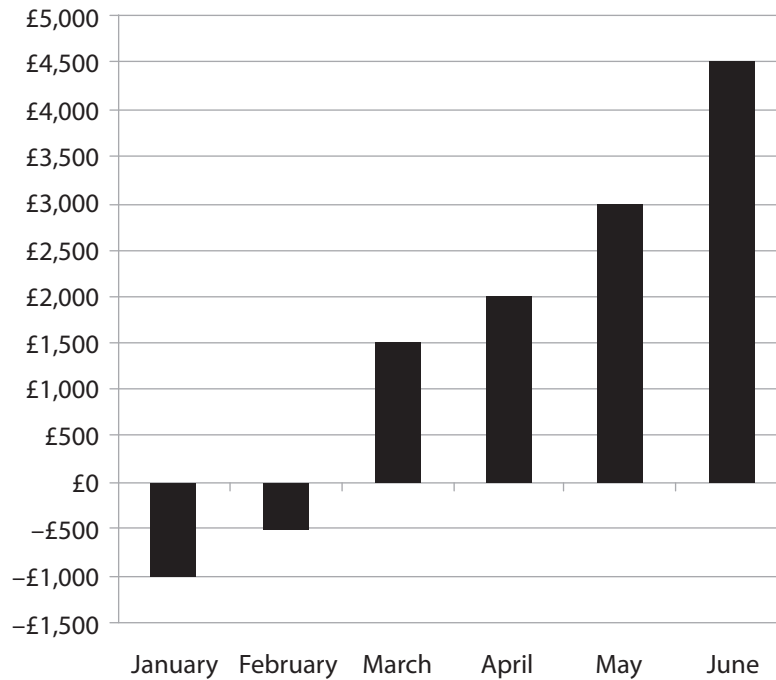
**(Total for Question 3 = 2 marks)**

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Questions 4 and 5 are based on the information below.

**Northern Coffee Merchants Ltd – Monthly Profit (January to June)**



4 What is the total profit that *Northern Coffee Merchants Ltd* made between January and June?

Select **one** answer:

- A £4 500
- B £9 500
- C £10 500
- D £12 000

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

5 Identify **two** likely impacts for the owners of *Northern Coffee Merchants Ltd* as a result of the information shown in the graph above.

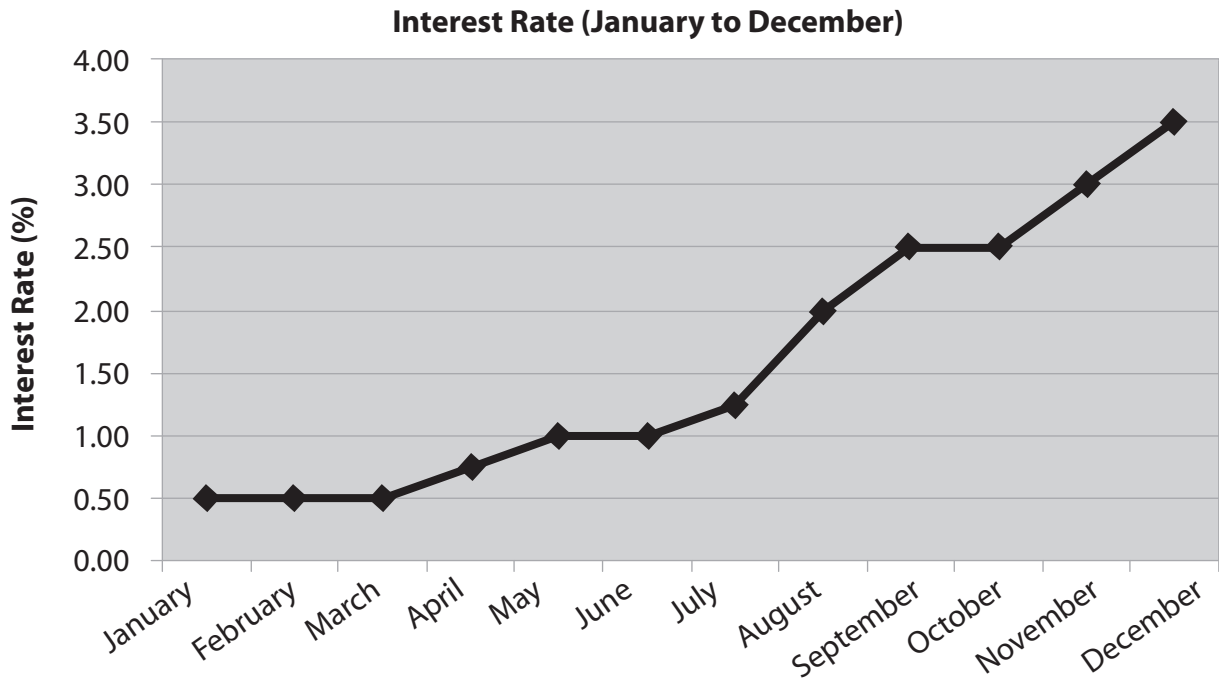
Select **two** answers:

- A Money will be available to reinvest in the business
- B Greater risk of losing personal possessions
- C More difficult to pay suppliers
- D Higher rate of Value Added Tax
- E Less risk of insolvency

**(Total for Question 5 = 2 marks)**



Question 6 is based on the graph below.



6 Identify the **two most likely** effects on small businesses of the changes in the interest rate shown in the graph.

Select **two** answers:

- A Increased consumer spending using credit
- B Lower costs for businesses with overdrafts
- C Less consumer spending with small businesses
- D Higher fixed costs for small businesses with bank loans
- E Higher variable costs for small businesses

**(Total for Question 6 = 2 marks)**

Venture capital is a long-term source of finance for small businesses.

7 Which **two** of the following are the **most likely** advantages to a business of using venture capital?

Select **two** answers:

- A Venture capitalists do not interfere with the running of the business
- B There is the opportunity to benefit from expert advice
- C Venture capitalists do not have to pay tax
- D It increases access to finance for small businesses
- E There is no need to produce a business plan

**(Total for Question 7 = 2 marks)**



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**Questions 8–10 are based on the information below.**

Connie Francis plans to open a juice bar in a busy town centre. The new business will sell organic freshly-squeezed juices and light snacks to take away.

Connie has carried out market analysis and has discovered that there are three competitors. She has produced a summary of these competitors, including their strengths and weaknesses.

<b>Competitor</b>	<b>Details of the business</b>	<b>Strengths</b>	<b>Weaknesses</b>
<b>Stainthorpe's Snacks</b>	<ul style="list-style-type: none"> <li>• Sole trader</li> <li>• Two employees</li> <li>• One outlet</li> <li>• Main products: sandwiches, pasties, cakes and soft drinks</li> </ul>	<ul style="list-style-type: none"> <li>• Cheap prices compared to competitors</li> <li>• Long-established family business</li> <li>• Open from 6 am Mon–Sat</li> </ul>	<ul style="list-style-type: none"> <li>• Reputation for slow service</li> <li>• Regarded by younger customers as 'old-fashioned'</li> <li>• Takeaway service only</li> </ul>
<b>Fenway's</b>	<ul style="list-style-type: none"> <li>• Franchise of a national chain</li> <li>• 15 employees</li> <li>• Two local outlets</li> <li>• Main products: sandwiches, pasties, and canned/bottled drinks</li> </ul>	<ul style="list-style-type: none"> <li>• Established brand image</li> <li>• Large premises in two locations</li> <li>• High sales revenue</li> </ul>	<ul style="list-style-type: none"> <li>• Takeaway service only</li> <li>• Limited range of drinks and snacks</li> <li>• Reputation for unhealthy food</li> </ul>
<b>jooce</b>	<ul style="list-style-type: none"> <li>• Private limited company</li> <li>• Six employees</li> <li>• One outlet</li> <li>• Main products: organic freshly-squeezed juice drinks, freshly-prepared sandwiches</li> <li>• Targets the 25–40 year-old market</li> </ul>	<ul style="list-style-type: none"> <li>• Offers sit down service as well as takeaway service</li> <li>• Regarded as 'trendy' by younger customers</li> <li>• High sales in the last 12 months led to jooce becoming a private limited company</li> </ul>	<ul style="list-style-type: none"> <li>• Expensive prices</li> <li>• Slow service</li> <li>• Located in a quieter part of town</li> </ul>



8 From the competitor information, identify the **two most likely** reasons why this might be a good market for Connie to enter.

Select **two** answers:

- A Existing rivals are small scale and not established in the market
- B Demand exists for drink and sandwich takeaway products
- C There is no competition for freshly-squeezed juices
- D She has identified some weaknesses with all competitors
- E No other business targets specific market segments

(Total for Question 8 = 2 marks)

One way in which Connie aims to compete in this market is by offering effective customer service.

9 Effective customer service is **most likely** to be achieved through which **two** of the following?

Select **two** answers:

- A Fulfilling customer orders accurately
- B Increasing value of sales
- C Dealing promptly with customer complaints
- D Establishing a unique trading name
- E Ensuring different market segments are identified

(Total for Question 9 = 2 marks)

Connie had a number of objectives when deciding to start her own business.

10 Identify **one** non-financial objective when starting a business.

Select **one** answer:

- A Personal satisfaction
- B Earn a high profit
- C Provide financial security
- D To increase personal wealth

(Total for Question 10 = 1 mark)



**Questions 11 and 12 are based on the information below.**

Fayazee Mantel is an entrepreneur who owns and runs a successful printing business. She keeps a weekly diary, an extract of which is shown below.

Monday 9:30 am	Met with my main ink supplier today and negotiated a 20% discount on the next order
Tuesday 12:15 pm	Shared with employees my vision for the business over the next two years
Wednesday 8:00 am	Re-organised the layout of the printing room which should lead to less time being wasted
Thursday 3:30 pm	Placed an order for 30% more paper than normal. If my new promotion strategy works then I'm sure this will pay off!
Friday 5:00 pm	Met the owner of a travel agent at a small business conference. They needed a sales leaflet producing urgently. I told them we could do it and she agreed to give us the order. Brilliant news!

**11** Using the information, which entrepreneurial quality does Fayazee demonstrate on Tuesday?

Select **one** answer:

- A** Leadership
- B** Willingness to take risks
- C** Being lucky
- D** Showing determination

**(Total for Question 11 = 1 mark)**





**12** Using the information, which entrepreneurial skill does Fayazee demonstrate on Thursday?

Select **one** answer:

- A** Recognising the importance of making mistakes
- B** Making connections
- C** Using mind maps to collect her thoughts
- D** Taking risks and making decisions

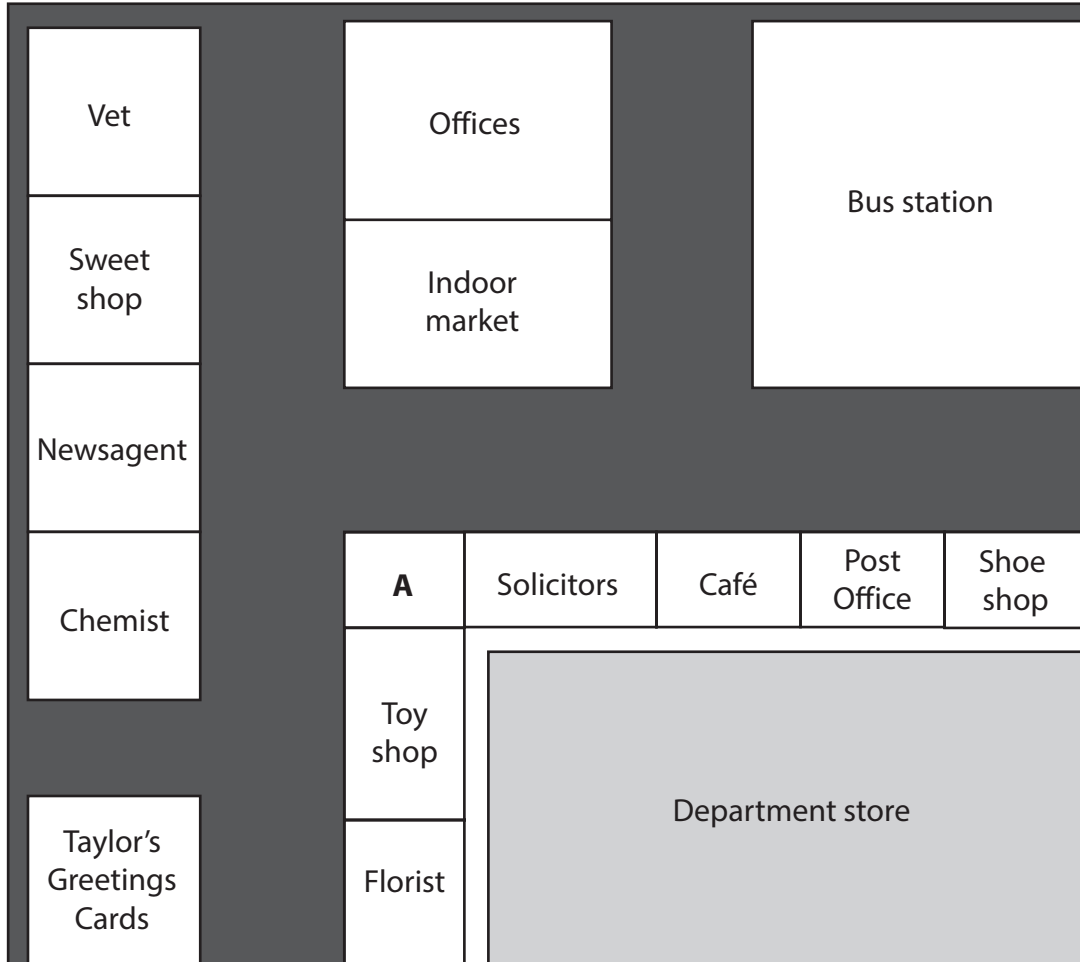
**(Total for Question 12 = 1 mark)**

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**Questions 13 and 14 are based on the information below.**

Sachin Ganguly has been looking for a suitable location for his shop which sells high quality, distinctive greetings cards. The location he chose is shown as A on the map below. The roads around the shops are **pedestrianised** (no vehicles allowed).



**13** Which **two** of the following are **most likely** to be advantages to Sachin of choosing site A?

Select **two** answers:

- A** Good position for passing local trade
- B** Easy for suppliers to deliver goods
- C** No competition in the area
- D** Convenient central location
- E** Plenty of local parking

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



There are different types of small business in the pedestrianised area, including a newsagent.

**14** Which **two** of the following might be sources of added value for a newsagent business?

Select **two** answers:

- A** Being the only newsagent providing deliveries of daily newspapers
- B** Creating a market map
- C** Paying high weekly wages to workers
- D** Having lots of local competition
- E** Opening late every weekday and weekend

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

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**Read the information below and answer Questions 15–17.**

Tom Christie runs a plumbing business in the north of England.

Tom relies heavily on imports of copper piping from Germany for his business.

Tom buys 300 metres of copper pipe every month. The price of the piping is €15 per metre.

**15** In May the exchange rate is £1.00 = €1.50. How much does Tom pay for copper piping this month?

Select **one** answer:

- A** £300
- B** £3 000
- C** £4 500
- D** £6 750

**(Total for Question 15 = 1 mark)**

**16** Which **one** of the following is likely to be the most important part of the customer focus of Tom's business?

Select **one** answer:

- A** Keeping accurate business records
- B** Ensuring he arrives at customers' houses on time
- C** Having a thorough business plan
- D** Taking a calculated risk

**(Total for Question 16 = 1 mark)**

Changes in the business cycle can affect businesses such as Tom's.

**17** Identify the **two most likely** effects on a small business, like Tom's, of increased economic activity in a country.

Select **two** answers:

- A** Easier to recruit new staff due to rising unemployment
- B** The need to reduce prices due to falling demand
- C** Greater risk of the business failing
- D** Increased sales due to rising consumer incomes
- E** A rise in variable costs due to rising demand for his service

**(Total for Question 17 = 2 marks)**



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**Question 18 is based on the information below.**

*Smith's Pets Ltd* is a pet care business which sells a wide range of pets and equipment. It also manufactures its own label pet foods and is considering changing its marketing mix in response to increased competition.

**18** Which **two** of the following are examples of changes to the promotion element of *Smith's Pets Ltd's* marketing mix?

Select **two** answers:

- A** Opening a new shop in an area with fewer competitors
- B** Reducing the price of all pet food by 25%
- C** Increasing advertising in local and regional newspapers
- D** Introducing a loyalty scheme for customers
- E** Developing a new range of pet food for cats and dogs

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



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

The first one has been done for you.

Definition	
i	The value of one currency expressed in terms of another
ii	Treating employees differently based on age, race, gender or disability
iii	Something which is different to any other business and which reflects what the business does
iv	Raw materials such as tin, wheat and oil
v	The process of turning inventions into products that can be sold to customers
vi	A document outlining the skills and qualities needed in a job applicant

Term	
A	Discrimination
B	Interest rate
C	Person specification
D	Innovation
E	Exchange rate
F	Commodities
G	Patent
H	Added value
I	Unique selling point

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

**(Total for Question 19 = 5 marks)**



20

Natalie owns a small hairdressing salon on the outskirts of a major city. She employs four stylists and uses high quality hair products. Natalie prides herself on providing a high quality service to her clients. A slowdown in economic activity has led to the number of clients using the salon falling by 10%.

Natalie has to make a decision about whether to cut costs or to increase prices in order to maintain her profits. Which of the two options do you think Natalie should choose? Justify your choice.

Choose one option (tick **one** box only)

Cut costs

Increase prices

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**(Total for Question 20 = 6 marks)**

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**TOTAL FOR PAPER = 40 MARKS**

