

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

Pearson Edexcel

Level 1/Level 2 GCSE (9–1)

Thursday 21 May 2020

Afternoon (Time: 1 hour 30 minutes)

Paper Reference **1BS0/01**

Business

Paper 1: Investigating small business

Calculators may be used.

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.*
- You are advised to **show all your working out** with **your answer clearly identified** at the **end of your solution**.

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.*

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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SECTION A

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 ☒.

- 1 (a) Which **one** of the following is an example of a reward from business activity?

(1)

Select **one** answer.

- ☐ **A** Financial loss
- ☐ **B** Increased overheads
- ☐ **C** Independence
- ☐ **D** Lack of security

- (b) Which **one** of the following is a definition of market share?

(1)

Select **one** answer.

- ☐ **A** Market research that can be collected and analysed
- ☐ **B** The proportion of sales in a market made by one business
- ☐ **C** The total amount of money from business sales
- ☐ **D** A group of people who discuss their views on a product

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(c) Explain **one** benefit to a small business from having a unique selling point.

(3)

(d) Explain **one** advantage to a small business of using trade credit as a source of finance.

(3)

(Total for Question 1 = 8 marks)

2 (a) Which **two** of the following are examples of secondary market research?

(2)

Select **two** answers.

- ☐ **A** Focus group
- ☐ **B** Internet
- ☐ **C** Market report
- ☐ **D** Observation
- ☐ **E** Survey

(b) Which **two** of the following are examples of variable costs?

(2)

Select **two** answers.

- ☐ **A** Advertising
- ☐ **B** Insurance
- ☐ **C** Packaging
- ☐ **D** Raw materials
- ☐ **E** Rent

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Table 1 contains information about cash payments of a small business in one month. The business sold 200 units in this month. All customers paid in cash.

Selling price	£15
Rent	£500
Wages	£1 000
Advertising	£150

Table 1

- (c) Using the information in Table 1, calculate the net cash flow for this month
You are advised to show your workings.

(2)

£

- (d) Explain **one** disadvantage of starting a small business as a partnership.

(3)

(e) Explain **one** way the marketing mix of a small business may change due to changing consumer needs.

(3)

(Total for Question 2 = 12 marks)

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3 (a) Which **one** of the following is a characteristic of a sole trader?

(1)

Select **one** answer.

- ☐ **A** They require a business qualification
- ☐ **B** They have unlimited liability
- ☐ **C** They can sell shares to raise finance
- ☐ **D** They do not employ staff

Figure 1 shows the total costs for a business between May and July.

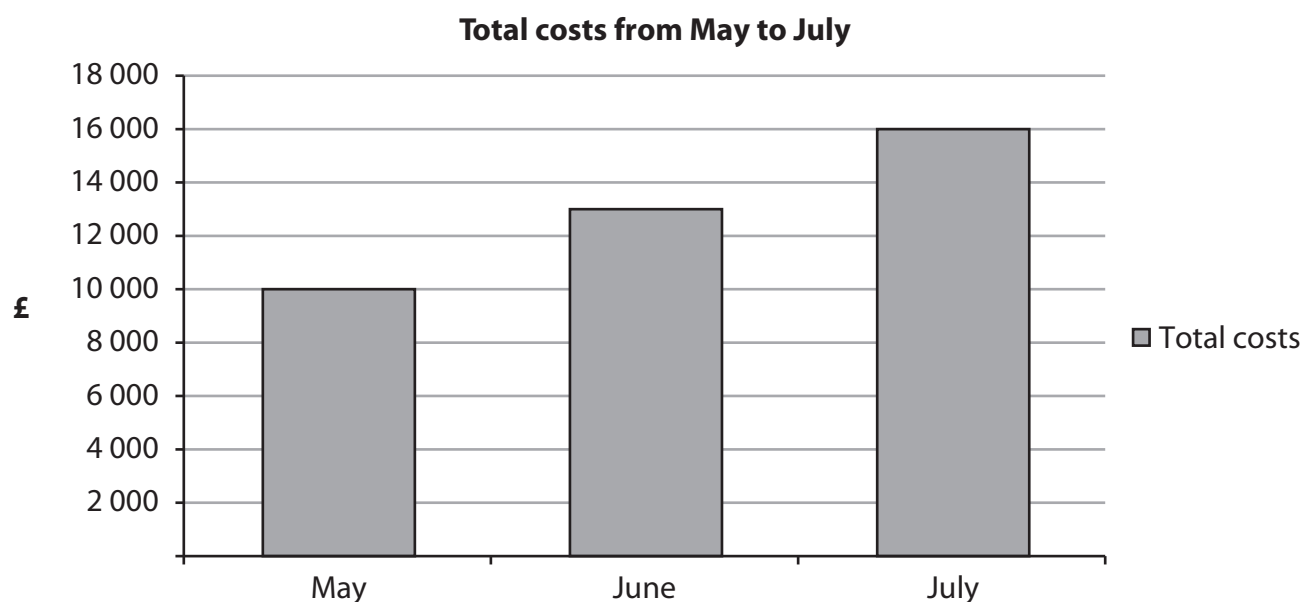


Figure 1

(b) Using the information in Figure 1, calculate the percentage change in total costs between May and July. You are advised to show your workings.

(2)

..... %

(c) Explain **one** reason why new business ideas come about.

(3)

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(d) Explain **one** advantage to a small business of using market mapping.

(3)

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- (e) Discuss how the decision making of a small business may be affected by increased competition.

(6)

(Total for Question 3 = 15 marks)

TOTAL FOR SECTION A = 35 MARKS

SECTION B

Answer ALL questions.

Read the following extract before answering Questions 4, 5 and 6.

Write your answers in the spaces provided.

On Your Bike is a family owned business that first opened in London in 1983. Its customers include children buying their first bikes and scooters, through to experienced enthusiasts in road cycling and mountain biking.

The business offers a wide range of bikes, many imported from abroad. These include high quality brands such as Brompton, Cannondale and Ridgeback. It also stocks a wide range of clothing and helmets including brands such as Endura and Altura.



(Source: © Ramon Espelt Photography/Shutterstock)

On Your Bike has large workshop facilities in its shop where qualified mechanics maintain and repair all makes of bike. All mechanics go on regular training courses to ensure they keep their skills and knowledge up to date with the latest cycling technology. This allows *On Your Bike* to offer exceptional customer service and advice.

The cycling market has grown over recent years. Market research has shown that an increasing number of tourists like to rent bikes when on holiday. In response to this, *On Your Bike* operates one of the largest bike rental services in London. Bikes can be hired by the day or week with a choice including road and electric bikes.

Figure 2 shows a customer review from a comparison website.

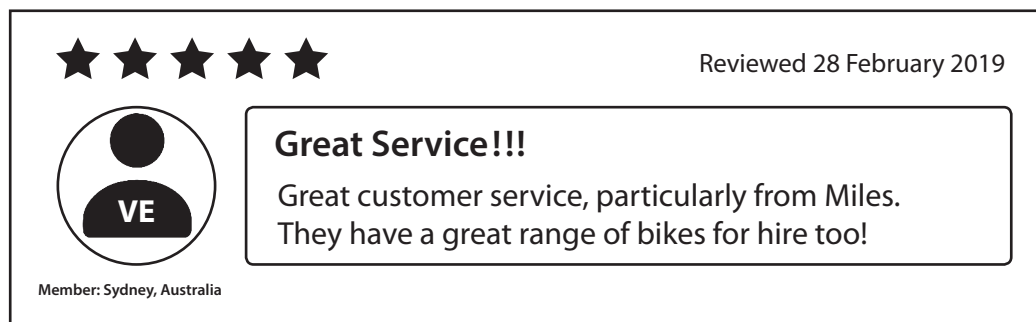


Figure 2

4 (a) Outline **one** reason why cash would be important to *On Your Bike*.

(2)

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(b) Analyse the impact on *On Your Bike* of customers using social media to review the business.

(6)

(Total for Question 4 = 8 marks)

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- 5 *On Your Bike* has made the following forecasts for the costs and sales of its bikes for 2021.

	Forecast
Total number of bike sales	2,000
Total revenue	£1 100 000
Variable cost per bike	£350
Fixed costs	£150 000

Table 2

- (a) Using the information in Table 2, calculate the selling price per bike. You are advised to show your workings.

(2)

£

- (b) Using the information in Table 2, calculate the profit *On Your Bike* is forecast to make from selling bikes in 2021. You are advised to show your workings.

(2)

£

The owners of *On Your Bike* want to lower the break even level of output and have decided to do this by reducing costs.

- (c) Analyse the impact on *On Your Bike* of reducing costs in order to lower its break even level of output.

(6)

(Total for Question 5 = 10 marks)

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6 (a) State **one** market segment that *On Your Bike* has targeted.

(1)

(b) Outline **one** impact on *On Your Bike* of an increase in the value of the pound.

(2)

To expand its business in response to the growth in the cycling market, *On Your Bike* is considering two options:

Option 1: open a second shop

Option 2: start to use e-commerce on its website.

(c) Justify which **one** of these two options *On Your Bike* should choose.

(9)

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(Total for Question 6 = 12 marks)

TOTAL FOR SECTION B = 30 MARKS

SECTION C

Answer ALL questions.

Read the following extract carefully and then answer Question 7.

Write your answers in the spaces provided.



(Source: © Locosurfing.com)

Since then *Loco* has surrounded itself with creative talent. This includes world class SUP shapers, graphic designers and team riders, who compete in competitions using its boards. Within months of its new SUPs becoming available, one of the team went on to win the British National Championship and represent Team GB in the World Championships.



(Source: © Longjourneys/Shutterstock)

Loco now sells an extensive range of SUPs, surf and kite boards throughout the UK and Europe and is ready to further extend its brand. Joe feels that the use of digital marketing using social media is vital in this growth. This combination of creative marketing and Joe's active role in the business, by offering advice to customers, has provided him with a firm belief that *Loco* can compete against larger manufacturers.

(Source: adapted from <https://locosurfing.com/> and interview with owner 8/06/2018)

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- 7 (a) State **one** stakeholder of *Loco*.

(1)

Table 3 shows the interest rate paid on savings between 2014 and 2017.

Year	Interest rate (%)
2014	1.49
2015	1.40
2016	1.25
2017	1.00

Table 3

- (b) Using the information in Table 3, identify the best year for *Loco* to save any retained profit it may have.

(1)

- (c) Outline **one** way that a business plan could have helped Joe Thwaites when starting *Loco*.

(2)

In order to make improvements to the business, *Loco* is considering two options:

Option 1: introduce a digital payment system e.g. PayPal

Option 2: hold online meetings using digital communication.

(d) Justify which **one** of these two options *Loco* should choose.

(9)

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- (e) Evaluate the extent to which *Loco* will be able to compete with large manufacturers of SUPs. You should use the information provided as well as your knowledge of business.

(12)

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(Total for Question 7 = 25 marks)

TOTAL FOR SECTION C = 25 MARKS
TOTAL FOR PAPER = 90 MARKS

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