

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)**

**Monday 12 June 2023**

Afternoon (Time: 1 hour 45 minutes)

**Paper reference** **1BS0/02**

**Business**

**PAPER 2: Building a business**

**You must have:**  
Source Booklet (enclosed)

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.
- There are **three** sections in this paper.
- Answer **all** the questions in the spaces provided  
– *there may be more space than you need.*
- Calculators may be used.
- 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

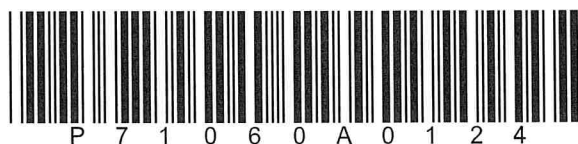
- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

P71060A

©2023 Pearson Education Ltd.

N:1/1/1/1/1



## 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 Figure 1 shows a diagram of the product life cycle.

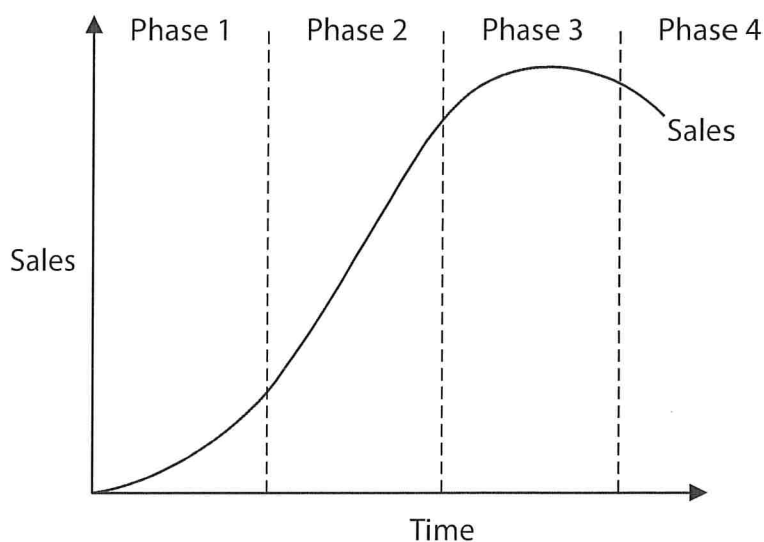


Figure 1

- (a) What is Phase 4 called?

(1)

Select **one** answer.

- ☒ **A** Decline  
☒ **B** Growth  
☐ **C** Introduction  
☐ **D** Maturity

- (b) Which **one** of the following is an element of the design mix?

(1)

Select **one** answer.

- ☒ **A** Function  
☒ **B** Price  
☐ **C** Productivity  
☐ **D** Profit



(c) Explain **one** reason why a business might use performance reviews with its employees.

(3)

One reason is to motivate employees. This is because if an employee sees that they aren't doing very well they will want to work harder. As a result, productivity will increase.

(d) Explain **one** impact on a business of using flow production.

(3)

One impact could be that it's quicker than batch. This is because identical products are made, this leads to lower average cost to produce each product, which then means the business can lower the price. This leads to more people being interested in the product, which then increases sales and therefore increasing the revenue which could potentially lead to more profit.

(Total for Question 1 = 8 marks)

- 2 (a) Which **two** of the following are documents produced by a business at the start of the recruitment process?

(2)

Select **two** answers.

- ☐ A Application form
- ☐ B Curriculum vitae (CV)
- ☐ C Job autonomy
- ☐ D Letter of application
- ☒ E Person specification

- (b) Which **two** of the following are services?

(2)

Select **two** answers.

- ☒ A Accountancy
- ☐ B Biscuits
- ☐ C Furniture
- ☒ D Hairdressing
- ☐ E Shoes





Table 1 contains financial information about a business.

	£
Sales revenue	900 000
Cost of sales	325 000
Other operating expenses and interest	175 000
Net profit	400 000

Table 1

- (c) Using the information in Table 1, calculate to 2 decimal places, the net profit margin.

(2)

$$\frac{\text{Net profit}}{\text{Sales revenue}} \times 100$$

44.4 %

- (d) Explain **one** disadvantage to a business of using loan capital as a source of finance.

(3)

Loan capital is required to be paid back with interest which would increase long-term costs for the business and therefore they'd potentially see reduced profits.

(e) Explain **one** reason why a business may decide to reduce the size of its workforce.

(3)

One reason is because the costs are too high, therefore they have to reduce the size of the workforce because costs are too much.

One reason is because they don't have enough cash to pay wages and salaries. This means that by reducing the number of workers costs will also decrease. This could lead to a potential increase in profits.

(Total for Question 2 = 12 marks)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



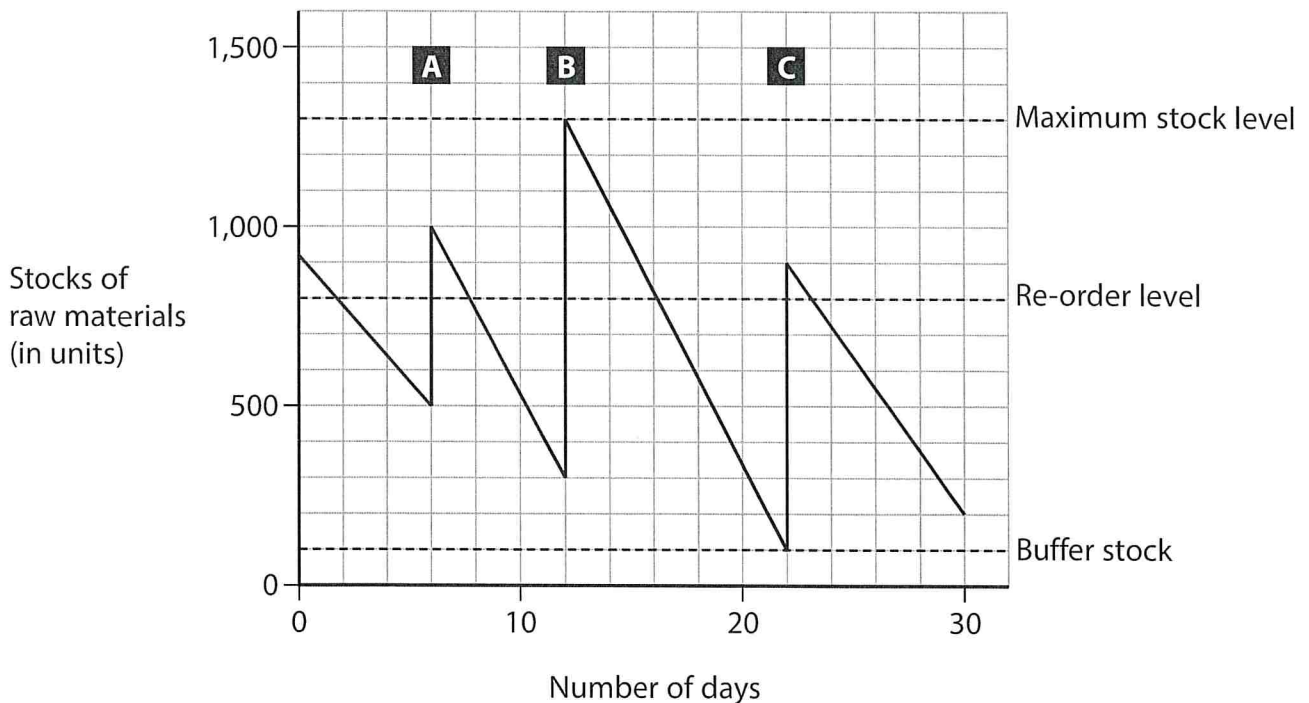
3 (a) Which **one** of the following is a fringe benefit?

(1)

Select **one** answer.

- ☒ **A** Company car  
☐ **B** Job enrichment  
☐ **C** Salary  
☐ **D** Wages

Figure 2 shows a bar gate stock graph which shows the deliveries of raw materials to a business in June 2021. These deliveries are labelled A, B and C.



**Figure 2**

(b) Using the information in Figure 2, calculate the total amount of stock that was delivered to the business in June 2021. You are advised to show your workings.

(2)

$$\begin{aligned} A &= 1000 - 500 = 500 \\ B &= 1300 - 300 = 1000 \\ C &= 900 - 100 = 800 \\ \hline &2300 \end{aligned}$$

..... units



(c) Explain **one** disadvantage to a business of having a poor relationship with its suppliers.

(3)

One disadvantage could be that the supplier is slow with deliveries, meaning the business could run out of stock. Another disadvantage is that the supplier may refuse them trade credit.

(d) Explain **one** impact on a business of introducing job rotation.

(3)

One impact is that the employees will be more motivated. This is because they won't get bored doing the same job all day. This will lead to the business' productivity levels increasing because they will be more willing to work.

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA





(e) Discuss the impact on a business from new tariffs being introduced by countries it exports to.

(6)

One impact is that they will have to pay a tax on their exports. This means that the business' costs will increase.

~~This is because~~ This could mean that the business doesn't make sufficient profit.

Another impact is that they will have to charge more for their product, this means customers may be dissatisfied with the price and not purchase. This will lead to the business not gaining any revenue or profits.

(Total for Question 3 = 15 marks)

**TOTAL FOR SECTION A = 35 MARKS**

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



## SECTION B

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

In the Source Booklet, look at Figure 3 and read Extract A, then answer Questions 4, 5 and 6.

- 4 (a) Outline **one** possible method, other than faster delivery, that *Ocado* could use to differentiate its service.

(2)

One possible method is that they could expand their product range so customers therefore have more to choose from.

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



(b) Analyse the benefit to Ocado of good customer service.

(6)

One benefit is that because the service was good, customers will continue to purchase from Ocado. This will lead to trust and loyalty being built up between the customers and the business, therefore increasing Ocado's revenue, therefore potentially increasing profits.

Another benefit is that the good customer service can result in good reviews online because the customer was happy with their service. This would lead to the business gaining better ratings which would then result in more customers due to the positive feedback. As a result Ocado's market share will increase.

(Total for Question 4 = 8 marks)



- 5 Table 2 contains information about the price of an annual supermarket delivery pass in 2020.

	£
Asda	55
Morrisons	65
Ocado	110
Sainsbury's	60

**Table 2**

(Source: adapted from <https://www.lovemoney.com/guides/3444/cheapest-supermarket-online-delivery-deals-asda-tesco-iceland-cost>)

- (a) Using the information in Table 2, calculate the average price of an annual supermarket delivery pass.

(2)

$$55 + 65 + 110 + 60 = 290$$

$$290 \div 4 = 72.5$$

$$\frac{72.5}{290} \times 100 = 25\%$$

£ 25



(b) Analyse the benefit to *Ocado* of good customer service.

(6)

(Total for Question 4 = 8 marks)

- 5 Table 2 contains information about the price of an annual supermarket delivery pass in 2020.

	£
Asda	55
Morrisons	65
Ocado	110
Sainsbury's	60

**Table 2**

(Source: adapted from <https://www.lovemoney.com/guides/3444/cheapest-supermarket-online-delivery-deals-asda-tesco-iceland-cost>)

- (a) Using the information in Table 2, calculate the average price of an annual supermarket delivery pass.

(2)

£ 72.50





Table 3 contains information about *Ocado's* financial performance in 2019.

	£ million
Cost of sales	1 164.8
Gross profit	591.8
Other operating expenses and interest	916.9
Net profit	(325.1)

**Table 3**

(Source: adapted from <https://www.ocadogroup.com/investors/annual-report-2019>)

- (b) Using the information in Table 3, calculate *Ocado's* sales revenue in 2019.  
You are advised to show your workings.

(2)

$$\begin{aligned} SR &= GP + COS \\ &= 1164.8 + 591.8 \\ &= \end{aligned}$$

£ 1765.6 million

(c) Analyse the benefit to Ocado of using new technology in its warehouses.

(6)

One benefit is that investing in Robot's is much cheaper than paying employees to pack customers' grocery orders. This is because you don't have to pay a salary to a robot. As a result fixed costs will decrease, enabling the food retailer to potentially increase their profits.

Another benefit is that using robots is very time efficient. This is shown by the rise in sales by 40% in 2020 and because the robots can pack customer orders in less than 5 minutes they can keep up with this increase in demand. This meant that they could process an extra 30,000 orders per week, therefore this would've led to a higher profit for the grocery business.

(Total for Question 5 = 10 marks)



6 (a) State **one** possible influence on the pricing strategy used by Ocado.

(1)

What competitors charge for their products.

What competitors charge for their groceries.

(b) Outline **one** drawback to Ocado of using just in time (JIT) stock control.

(2)

One drawback is that Ocado won't be able to supply their groceries quickly if there is a sudden surge in demand. This means that Ocado may lose customers to rivals.



In order to increase its share of the online grocery market, Ocado has considered two options:

**Option 1:** offering a faster delivery service

**Option 2:** expanding its product range.

(c) Justify which **one** of these two options Ocado should choose.

(9)

I think Ocado should choose to expand its product range, this is because it may encourage people who are fussy and only like certain brands of food, to online shop with them. This will increase demand for Ocado's groceries, which will result in increased revenue, helping them to compete better against rivals like Sainsburys.

However a disadvantage of an increased product range is that Ocado would have to re-programme their robots with the added items. This could result in confusion in the warehouse and mean that grocery orders are packaged wrongly. As a result this could mean that customers are unhappy with their service and <sup>therefore</sup> do not make a repeat purchase. This could lower their share of the grocery market compared to Tesco and Morrisons.

Overall it's best to increase product range because rivals like Tesco and Asda will appeal to Ocado's customers if they don't. Therefore it's crucial that Ocado meets the needs of as many customers as possible. However it depends on how the excellent packaging and delivery service Ocado



offer will be impacted. If it takes a lot longer than 5 minutes to pick an order and then slows down delivery to customers this may not be the best option.

(Total for Question 6 = 12 marks)

**TOTAL FOR SECTION B = 30 MARKS**

## SECTION C

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

In the Source Booklet, look at Figure 4 and read Extract B, then answer Question 7.

- 7 (a) Give **one** stage of the sales process.

(1)

Customer engagement.

Figure 5 shows the market share for each company in the virtual reality headset market in 2018 and 2019.

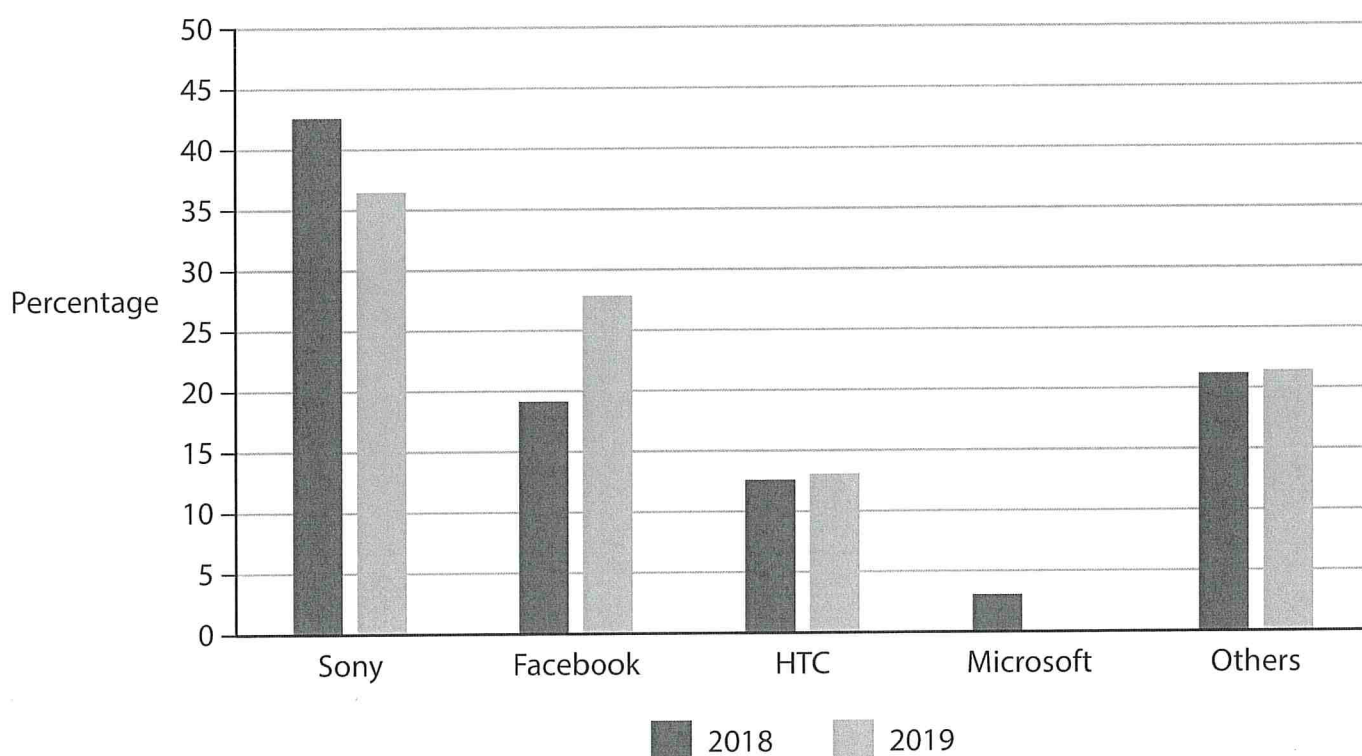


Figure 5

(Source: adapted from <https://www.statista.com/statistics/755645/global-vr-device-market-share-by-vendor/>)

- (b) Using Figure 5, identify the company that left the virtual reality headset market in 2019.

(1)

The company that left the virtual reality headset market in 2019 is Microsoft.



(c) Outline **one** advantage to *Facebook* of becoming a public limited company (plc).

(2)

Becoming a plc means facebook can sell shares to the public. This will invest more money into the business.

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



In order to increase its profit, Facebook is considering two options:

**Option 1:** grow internally

**Option 2:** grow externally.

(d) Justify which **one** of these two options Facebook should choose to increase its profit.

(9)

One benefit of growing internally is that it is less risky. This is because they won't be spending millions of pounds in taking over another company. As a result there is less risk of failure due to a lack of cash in the business.

However, one benefit of growing externally is that it is quicker. Facebook can very quickly increase its market share by merging with, or taking over, another business in the same market. This will allow them to become the dominant business in the market, allowing them to increase their prices.

Overall, growing externally is better because it's quicker.

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



- (e) Evaluate the impact on Facebook of its decision to allow its employees to use remote working from home. You should use the information provided as well as your knowledge of business.

(12)

Allowing its employees to work from home helps develop the trust between this plc and their staff. As employees feel more trusted this will motivate them which therefore increases their productivity. The increase in productivity then leads to a better workforce and therefore a better quality app, attracting more customers to the social media platform.

However, allowing employees to work from home could actually lead to a lower productivity as employees may not stick to their specific time slot for work and may be easily distracted, leading to a longer period of time needed to finish a single task (such as coding or repairing software).

In conclusion, despite the drawback I believe that allowing employees to work from home is beneficial because it reduces costs and leads to a higher profit for the business.





DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

Handwriting practice lines consisting of six horizontal dotted lines.

