

Please check the examination details below before entering your candidate information

Candidate surname		Other names	
Centre Number		Candidate Number	
<b>Pearson Edexcel</b> <b>Level 1/Level 2 GCSE (9–1)</b>		<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> </div> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> </div>	
<b>Tuesday 4 June 2019</b>			
Afternoon (Time: 1 hour 30 minutes)		Paper Reference <b>1BS0/02</b>	
<b>Business</b> <b>Paper 2: Building a business</b>			
<b>You do not need any other materials.</b>			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.*
- 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 ►

R59926A

©2019 Pearson Education Ltd.

1/1/1/1/1/1

## 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 (a) Which **one** of the following is an element of the design mix?

Select **one** answer.

(1)

- ☐ **A** Cost
- ☐ **B** Price
- ☐ **C** Product
- ☐ **D** Quality

- (b) Which **one** of the following is an example of an internal source of finance?

Select **one** answer.

(1)

- ☐ **A** Loan capital
- ☐ **B** Selling assets
- ☐ **C** Share capital
- ☐ **D** Stock market flotation

- (c) Explain **one** drawback to a business of using job production.

(3)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(d) Explain **one** advantage to a business of producing a high quality product.

(3)

(Total for Question 1 = 8 marks)

- 2 (a) Which **two** of the following are likely to be sent to a business by a person applying for a job?

Select **two** answers.

(2)

- ☐ **A** Application form
- ☐ **B** CV
- ☐ **C** Job advert
- ☐ **D** Job description
- ☐ **E** Person specification

- (b) Which **two** of the following are likely to increase the productivity of a business?

Select **two** answers.

(2)

- ☐ **A** Excessive communication
- ☐ **B** Pressure groups
- ☐ **C** Retraining employees
- ☐ **D** Increased product range
- ☐ **E** Introducing new technology

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

Table 1 contains information about a new piece of machinery that a business wants to purchase.

Average annual profit	£100 000
Cost of new machine	£400 000

**Table 1**

- (c) Using the information in Table 1, calculate the average rate of return. You are advised to show your workings.

(2)

- (d) Explain **one** benefit to a business of having a good relationship with its suppliers.

(3)

.....

(e) Explain **one** advantage to a business of improving its environmental sustainability.

(3)

(Total for Question 2 = 12 marks)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

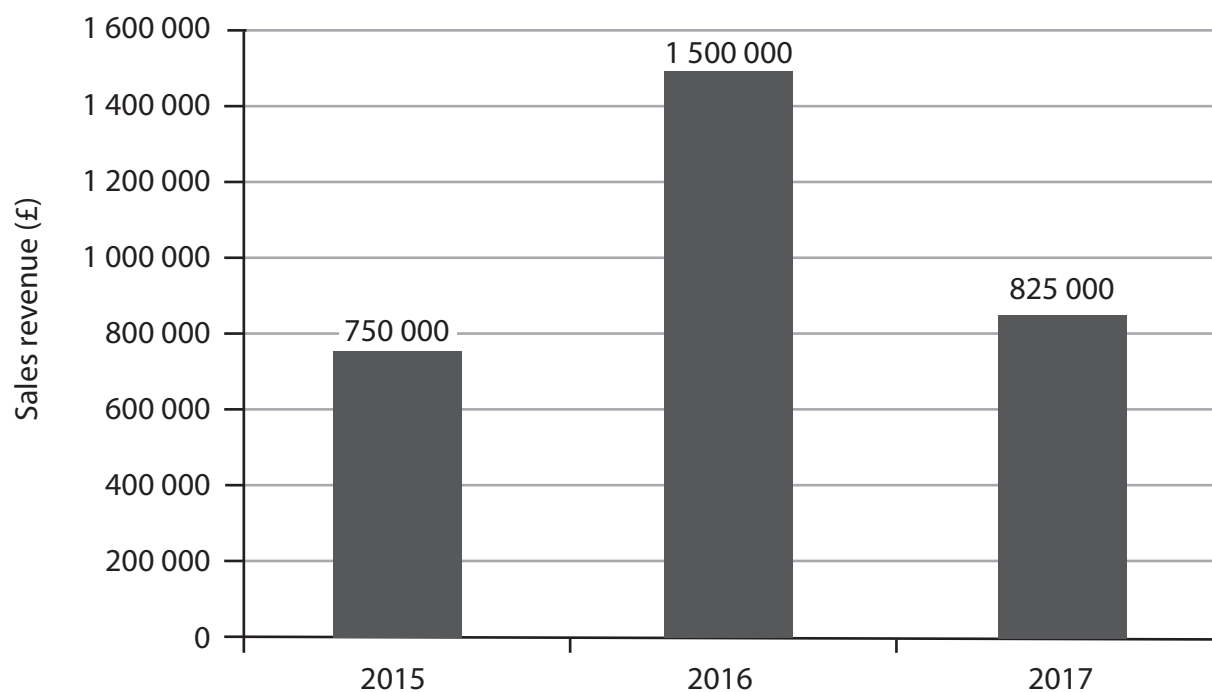
3 (a) Which **one** of the following is a barrier to international trade?

Select **one** answer.

(1)

- ☐ **A** Aesthetics
- ☐ **B** Ethics
- ☐ **C** Tariffs
- ☐ **D** Trade-offs

Figure 1 shows the sales revenue of a business over three years.



**Figure 1**

(b) Using the information in Figure 1, calculate the percentage increase in sales revenue from 2015 to 2016. You are advised to show your workings.

(2)

(c) Explain **one** method a business could use to differentiate its product.

(3)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(d) Explain **one** possible barrier to effective communication within a business.

(3)

DO NOT WRITE IN THIS AREA

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 of giving employees permanent contracts.

(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.

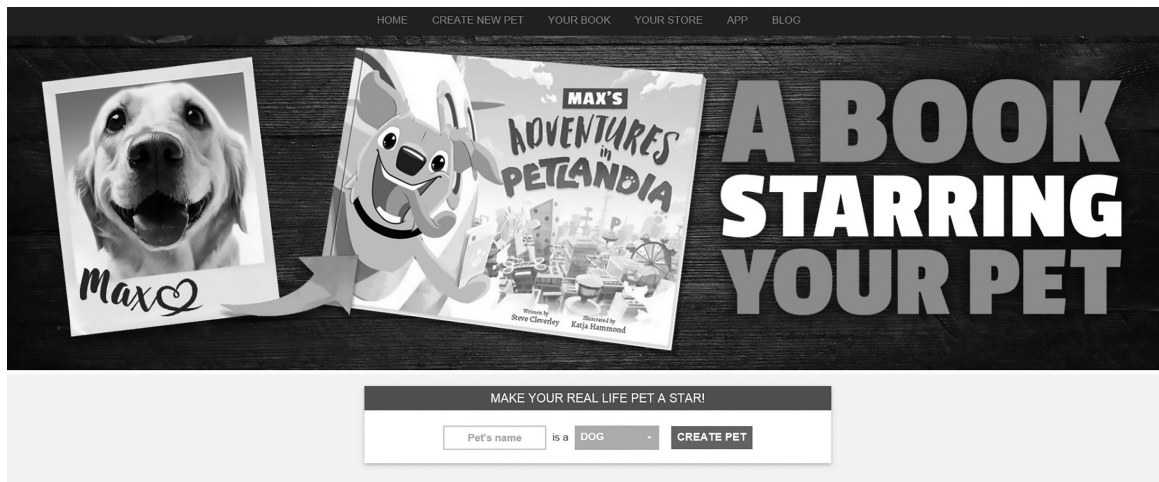
**Mind  
Candy**



© Mind Candy

*Mind Candy Ltd* produces games and apps for computers and mobile devices. Its most successful game was *Moshi Monsters*. The game was aimed at young teenagers and was a global hit, with 80 million users in 2012.

In 2013, *Mind Candy* made large losses as sales revenue fell due to the falling popularity of its games. This was blamed on the short product life cycle of *Moshi Monsters* and increased competition in its market. As a result of these losses, *Mind Candy* reduced its workforce of software developers.



(Source from: <https://www.petlandia.com/custom-book.html#create>)

*Mind Candy* now needed to raise £1.2 million of extra finance. It required this finance to pay existing costs and fund the development of new apps such as *Petlandia*. *Mind Candy* believes *Petlandia* will allow it to return to organic growth. The app is free to download and allows players to design a virtual version of their own pet. This virtual pet can go on an adventure within the app. The adventure is then turned into a personalised storybook which can be purchased for £19.99.

(Source from: 'Moshi Monsters maker *Mind Candy* fears administration as sales tumble further' by Christopher Williams, 11 OCTOBER 2016 © Telegraph Media Group Limited)

- 4 (a) Outline **one** method *Mind Candy* could use to extend the product life cycle of one of its games.

(2)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(b) Analyse the impact on *Mind Candy* of reducing the size of its workforce.

(6)

(Total for Question 4 = 8 marks)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

- 5 Table 2 contains information about *Mind Candy's* performance in 2013.

Sales revenue	£30 560 692
Gross profit	£22 190 385
Other operating expenses and interest	£25 044 332

(Source: adapted from <https://beta.companieshouse.gov.uk/company/05119483/filing-history>)

**Table 2**

- (a) Using the information in Table 2, calculate *Mind Candy's* cost of sales. You are advised to show your workings.

(2)

- (b) Using the information in Table 2, calculate, to 2 decimal places, *Mind Candy's* gross profit margin. You are advised to show your workings.

(2)

As a result of the problems it faced in 2013, *Mind Candy* changed its main business objective from growth to survival.

- (c) Analyse the impact on *Mind Candy* of changing its main business objective to survival.

(6)

(Total for Question 5 = 10 marks)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

6 (a) State **one** drawback to *Mind Candy* of organic growth.

(1)

(b) Outline **one** method *Mind Candy* could use to promote its new app.

(2)



In order to raise the £1.2 million of extra finance needed, *Mind Candy* considered two options:

**Option 1:** retained profit

**Option 2:** share capital.

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

(9)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(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.

In August 2017, UK supermarket group *Sainsbury's* decided to cut its costs by £500 million to remain competitive.

One of the changes *Sainsbury's* made was to end its membership of Fairtrade. The Fairtrade scheme gives farmers in countries such as Kenya a higher price for their crops, such as tea. In return, *Sainsbury's* can use the Fairtrade logo on its products. This makes its groceries, such as bananas, more attractive to ethically-minded customers.



© Fairtrade Foundation 2017

*Sainsbury's* has decided to replace Fairtrade with its own scheme called 'Fairly Traded'. Critics of the change believe that it confuses customers. Protests about this change have already been held in London.



© andrew aitchison

*Sainsbury's* also decided to reduce its head office workforce by 1,000. This allowed the company to increase wages for its shop floor employees, including checkout operators and shelf stackers, by 4.4% to £8 per hour. This reduced the wage difference with Aldi, which pays £8.53 per hour. *Sainsbury's* wants to retrain shop floor employees to improve the customer service in its stores.

(Source: adapted from <https://www.theguardian.com/business/2017/jul/09/sainsburys-finds-itself-in-hot-water-over-fairtrade-tea>)

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

(1)

Figure 2 shows the market share of UK supermarkets in 2017.

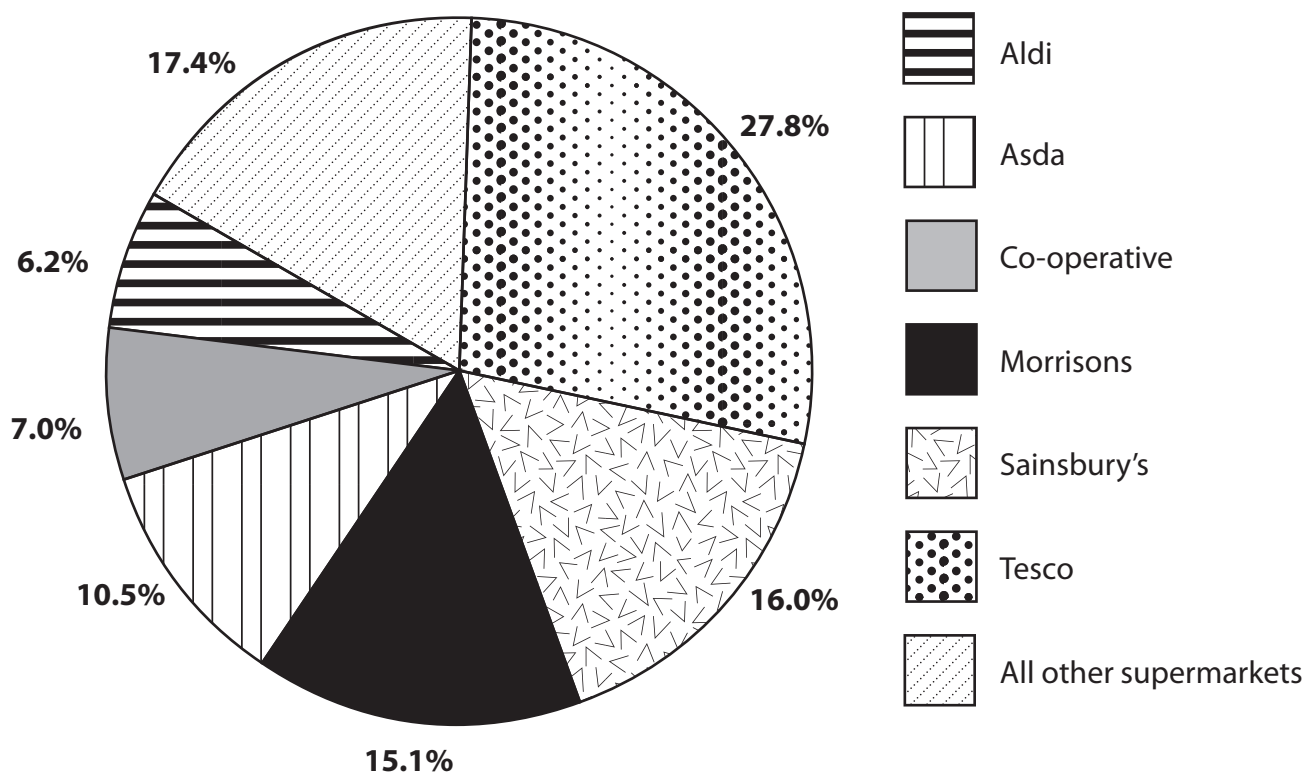


Figure 2

(Source: <https://www.kantarworldpanel.com/en/grocery-market-share/great-britain>)

(b) Using the information in Figure 2, identify the UK supermarket with a larger market share than *Sainsbury's*.

(1)

(c) Outline **one** advantage to *Sainsbury's* of improving its customer service.

(2)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

In order to improve the motivation of its shop floor employees, *Sainsbury's* is considering two options:

**Option 1:** retraining

**Option 2:** increase wages.

(d) Justify which **one** of these two options *Sainsbury's* should choose.

(9)



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA





- (e) Evaluate the likely impact on *Sainsbury's* of replacing Fairtrade with its own Fairly Traded scheme. You should use the information provided as well as your knowledge of business.

(12)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(Total for Question 7 = 25 marks)

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