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Candidate surname					Other names				
Centre Number					Candidate Number				
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Pearson Edexcel Level 1/Level 2 GCSE (9–1)

Time 1 hour 30 minutes

Paper reference **1BS0/01**

Business

PAPER 1: Investigating small business

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.*
- 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 ►

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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 variable cost?

(1)

Select **one** answer.

- ☐ **A** Insurance
- ☒ **B** Packaging
- ☐ **C** Rent
- ☐ **D** Salaries

- (b) Which **one** of the following could be used to identify a market segment?

(1)

Select **one** answer.

- ☒ **A** Demographics
- ☐ **B** Inflation
- ☒ **C** Marketing mix
- ☐ **D** Revenue



(c) Explain **one** risk for an entrepreneur when starting a new business.

(3)

One risk for an entrepreneur starting a business is not having recognition or an audience. This means that they will not be able to gain a sustainable profit. Therefore leading to business failure.

(d) Explain **one** way a small business could add value to a product.

(3)

One way is by making the product high quality. ~~This leads to more~~
This means the product will appeal to more customers. As a result the business will have an advantage over the competitors.

(Total for Question 1 = 8 marks)

2 (a) Which **two** of the following are examples of a service?

(2)

Select **two** answers.

- ☐ A Birthday cake
- ☒ B Fitness class
- ☐ C Mobile phone
- ☐ D Newspaper
- ☒ E Train journey

(b) Which **two** of the following are examples of cash inflows?

(2)

Select **two** answers.

- ☒ A Bank loan
- ☐ B Insurance
- ☐ C Raw materials
- ☒ D Receipts
- ☒ E Wages

Table 1 contains information about a small business for one month.

Number of sales	2,700
Variable costs (per unit)	£6
Sales price (per unit)	£20
Break even level of output	1,500

Table 1

(c) Using the information in Table 1, calculate the margin of safety. You are advised to show your workings.

(2)

$$2700 - 1500$$

1300 units



- (d) Explain **one** disadvantage to a small business of using an overdraft as a source of business finance.

(3)

One disadvantage to a small business of using an overdraft as a source of business finance is that the business will have to pay high interest rates. This means that the business' costs will increase which will have a negative impact on the business' cash flow.

- (e) Explain **one** impact on a small business of an increase in unemployment.

(3)

One impact is the business will have less workers, this leads to productivity decreasing, meaning the business will have less output, therefore the customers may experience longer waiting times.

(Total for Question 2 = 12 marks)

3 (a) Which **one** of the following is a definition of insolvency?

(1)

Select **one** answer.

- ☐ A A product becoming obsolete
- ☒ B Business failure due to unpaid debts
- ☐ C Generating high levels of revenue
- ☐ D Understanding the business environment

Figure 1 shows the cash-flow of a business from May to August.

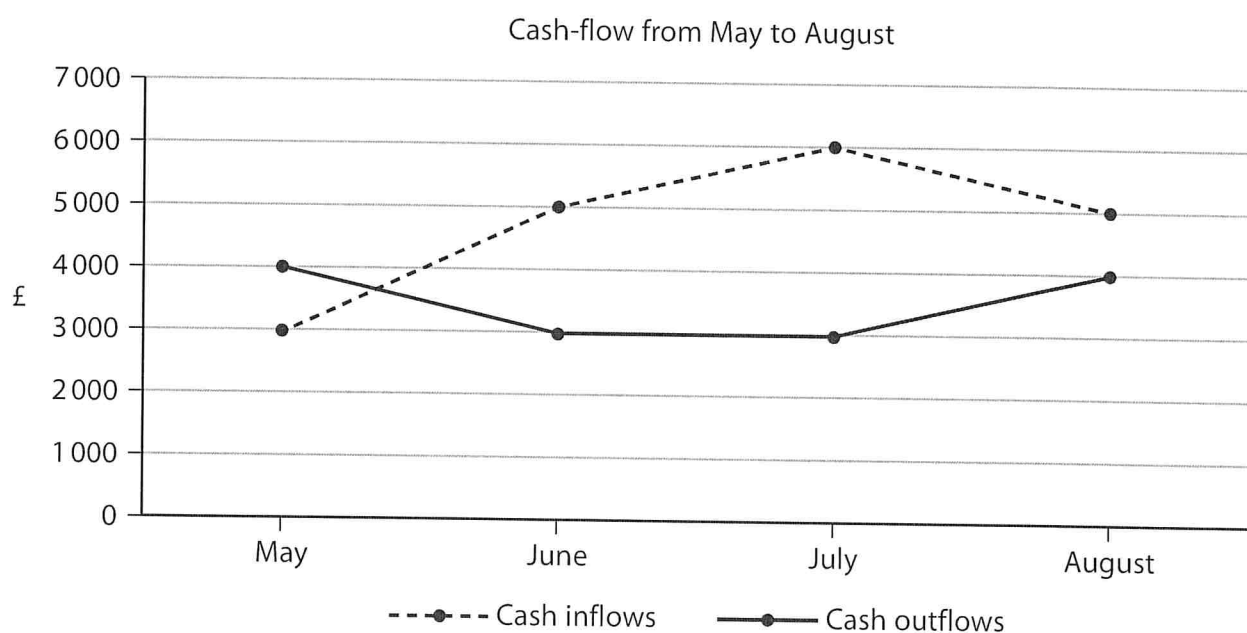


Figure 1

(b) Using the information in Figure 1, calculate the total net cash-flow from May to August. You are advised to show your workings.

(2)

£ 5000



(c) Explain **one** way a small business could reduce its variable costs.

(3)

One way would be to find a different supplier. This could lead to less money being spent on raw materials. As a result, each product is cheaper to make, therefore lowering variable costs.

(d) Explain **one** advantage to a small business of meeting all employment legislation.

(3)

One advantage is it will create better customer service. This is because employees will be more satisfied and motivated to work for the business. As a result it may create a good brand image for the business and attract customers, which leads to more revenue and potentially more profit.

(e) Discuss how possible conflicts between owners and employees could affect the profit of a small business.

(6)

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One way it could affect profits is due to owners wishing to be more profitable whilst employees may want a higher wage. This leads to conflicts and it could result in workers leaving the business, this is because they may not feel appreciated. As a result productivity falls, which could lead to a decrease in profitability.

Another conflict could exist if owners exploited employees. As a result workers will not be treated fairly therefore less employees may stay in the job. Therefore the business will have a lower output, meaning demand cannot be met as a result profit may decrease.

(Total for Question 3 = 15 marks)

TOTAL FOR SECTION A = 35 MARKS

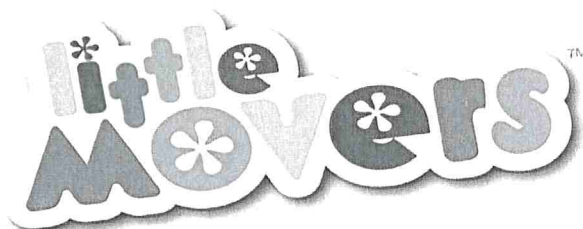


SECTION B

Answer ALL questions.

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

Write your answers in the spaces provided.

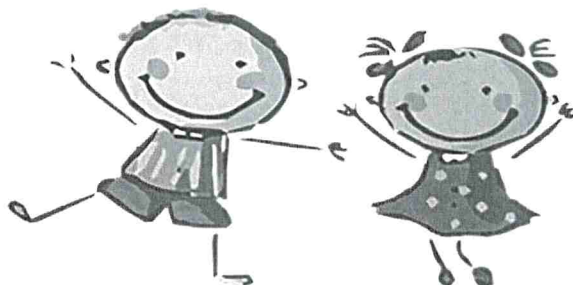


Little Movers is a business that offers preschool dance and movement classes. It also specialises in themed birthday parties and provides workshops in many local authority children centres. The business was founded in 2007 by Melanie Buck and within weeks of opening hundreds of families were attending the classes.

Little Movers exceeded Melanie's expectations. She struggled to keep up with the demands of running the business and her commitment to being a mother of two young children. Melanie originally started *Little Movers* as she felt she could run the classes whilst her children were at school. This independence would also help her achieve a key objective of enjoying all of the school holidays with her own children.

To keep up with the high levels of demand Melanie decided to expand her business through franchising. As a franchisor she believed that she could offer a proven business formula together with a wide range of support to franchisees. This included use of the *Little Movers* brand, being the only *Little Movers* franchise in a particular area, full training and a centralised online booking system. Franchisees also receive lesson plans each month for the classes.

This approach proved to be highly successful. *Little Movers* now has franchises throughout the North of England and has recently had enquiries to open franchises in Poland and Dubai.



(Source: adapted from <http://www.littlemovers.net/our-classes>)



- 4 (a) Outline **one** factor that may influence the location of a *Little Movers* franchise.

(2)

One factor is proximity to competition.
This means that the business will want
to be in an area where there is no
competition at all.



(b) Analyse the impact on an entrepreneur of being a *Little Movers* franchisee.

(6)

The franchisee would be given full training. This would enable the franchisee to provide a high quality service. This will lead to more people wanting to let their children be apart of their classes.

However, the franchisee will have to pay royalties to the owner of the business, this will reduce the business' net profit because they have to pay a royalty fee.

(Total for Question 4 = 8 marks)

- 5 When starting the business in 2007, Melanie took out a loan. The financial details of this loan are in Table 2.

Loan required from the bank	£10 000
Total repayments for loan	£11 100
Length of loan	3 years

Table 2

- (a) Using the information in Table 2, calculate the interest on the loan as a percentage of the total amount borrowed. You are advised to show your workings.

(2)

$$\text{Interest} = 11\,100 - 10\,000 = 1\,100$$

$$\frac{1\,100}{10\,000} \times 100 = 11\%$$

11 %

- (b) Using the information in Table 2, calculate, to 2 decimal places, the monthly repayments for the loan. You are advised to show your workings.

(2)

$$\frac{11\,100}{36} = 308.33333$$



(c) Analyse the impact on *Little Movers* of having a strong brand.

(6)

One impact is that this will attract other entrepreneurs to become part of the Little Movers franchise. This is because entrepreneurs want a franchise that is reliable and successful. As a result, Melanie will be able to expand her business more and may be able to open franchises in Dubai and Poland.

Another impact is that the dance business will be able to charge higher prices for their movement and dance classes. This is because the strong brand allows them to add value to their service as people are willing to pay higher prices for a preschool dance class at a business that is established and known.

(Total for Question 5 = 10 marks)

- 6 (a) State **one** non-financial aim that Melanie may have had when starting *Little Movers*.

(1)
Independence to enjoy the school holidays with her children.

- (b) Outline **one** benefit to *Little Movers* of having an online booking system.

(2)
One benefit is that it improves customer service. This is because families would not have to wait in store just to book a dance class for their preschooler, so it is more convenient.



Little Movers is considering two options to carry out market research for possible new franchises in Poland:

Option 1: internet research to identify competitors in Poland

Option 2: conducting focus groups with parents living in Poland.

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

(9)

I think Melanie should choose option 2. I think option 2 is better because it allows *Little Movers* to obtain more detailed and specific information on opening dance schools in Poland. This is because in focus groups Melanie can ask questions that are specific to her business purpose. She can ask parents living in Poland if their children learn or have any interest in changing her dance services to suit Polish routines. This will enable her to receive feedback so she can make improvements and differentiate her dance school from Polish competitors.

However conducting focus groups can take a lot of time and be quite expensive to do. This is not ideal for Melanie as she needs to retain as much finance as possible. This is because she wants to expand to countries abroad like Dubai or Poland.

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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.



Digital Allies is a private limited company. It supports clients to create marketing materials that can be used in a wide range of digital communications. This includes online advertising, web design, and digital data analysis to ensure clients are getting the most from their digital communications. It also offers training to businesses on how they could use social media and digital communication to improve their marketing.

The use of social media is something *Digital Allies* believes is becoming a major influence on how customers interact with businesses. It manages marketing campaigns across Facebook, Twitter, Instagram, Snapchat and LinkedIn. This allows its clients to target a wide range of consumers and to analyse these communications on social media to give businesses a competitive advantage over their rivals.

In February 2019, *Digital Allies* announced a three-year expansion plan which involved doubling its workforce to 40 employees and moving to new offices. The business believed that this move would allow it to employ people with the most up-to-date knowledge and to become one of the main digital marketing companies in the UK.



**Delivering new audiences
through digital.**

(Source: adapted from <https://digitalallies.co.uk>)

- 7 (a) State **one** source of revenue for *Digital Allies*.

(1)

Income from selling its services

Figure 2 shows the number of social media accounts in the UK in 2019.

Number of social media accounts (millions)

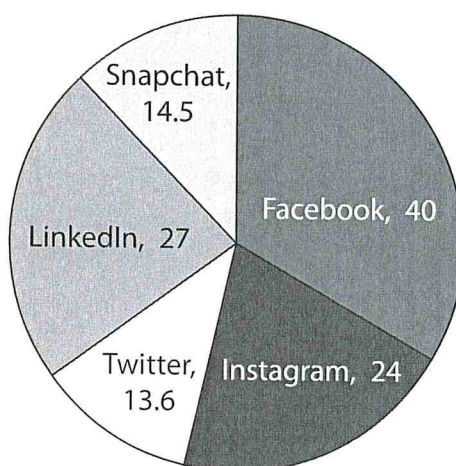


Figure 2

(Source: adapted from <https://www.avocadosocial.com/latest-social-media-statistics-and-demographics-for-the-uk-in-2019/>)

- (b) Using the information in Figure 2, identify which social media platform was the second largest in the UK in 2019.

(1)

LinkedIn



(c) Outline **one** impact on the owners of *Digital Allies* from being a private limited company.

(2)

One impact is that their personal assets are safe because they have limited liability. Also they can sell shares within the technology business.

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In order to help improve digital marketing for a local university, *Digital Allies* is considering two options:

Option 1: improve the design of the university website

Option 2: design a social media campaign to target new students.

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

(9)

Digital Allies should choose option 2 because Digital Allies manages marketing campaigns across Facebook, Twitter, Instagram, Snapchat and LinkedIn. This will enable them to reach a larger amount of people. As a result the university could see an increase in students.

Improving the design of a website may not attract more students. This is because young people may not be fully aware of the university therefore they may never visit the site so it doesn't matter how improved the design is.

In conclusion they should choose option 2 as more people use social media.

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- (e) Evaluate the impact that changes in technology may have on *Digital Allies*.
You should use the information provided as well as your knowledge of business.

(12)

One impact is that the business would be able to advance and find new ways to provide their services. This means that customers may be more interested in their online advertising services or digital data analysis. As a result the business will uphold a high standard of technological services therefore helping to increase sales as the need for their services increases.

However one negative impact is that changes in technology may be hard to keep up with. This is because Digital Allies operate in a highly competitive market where changes in technology are happening extremely quickly, for instance changes in the use of social media. This will lead to it needing to constantly respond to change if it is to achieve its objective of being one of the leading digital marketing companies in the UK.

Overall changes in technology will be beneficial for Digital Allies. As more people seek online advertising and website design



Digital Allies will have a growing customer base. However whether they can continue to be successful will depend on whether they can afford the investment and subsequent higher costs involved with keeping up with the changes which are vital to remain as an industry leader.

(Total for Question 7 = 25 marks)

TOTAL FOR SECTION C = 25 MARKS

TOTAL FOR PAPER = 90 MARKS



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