

Write your name here

Surname

Other names

Pearson Edexcel
International
Advanced Level

Centre Number

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Candidate Number

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Business Studies

International Advanced Subsidiary
Unit 1: Business Enterprise

Wednesday 8 January 2014 – Afternoon
Time: 1 hour 30 minutes

Paper Reference

WBS01/01

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 in Section A and Section B.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- In your responses, you should take particular care with punctuation and grammar, as well as the clarity of your expression.
- Calculators may be used.

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 in this section.

Write the letter of your chosen answer in the box and then explain your choice in the space provided.

You should spend 30 minutes on this section. Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1 (a) Mark Jennings, a heating engineer, has started his own business as a sole trader. He needs to buy a new van.

Which **one** of the following would be the **most suitable** external source of finance to buy his van?

(1)

- A Overdraft
- B Commercial bank loan
- C Retained profit
- D Issue of share capital

Answer

- (b) Explain why this answer is correct.

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(Total for Question 1 = 4 marks)



2 (a) Thea Green is the founder of *Nails Inc*, a successful global brand. She has won many awards including Entrepreneur of the Year in 2010.

Which **one** of the following is **least likely** to be a characteristic of a successful entrepreneur?

(1)

A Self-confident

B Risk-taker

C Resilient

D Indecisive

Answer

(b) Explain why this answer is correct.

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(Total for Question 2 = 4 marks)



3 (a) Clicks Global Research carries out product trials on behalf of some of the biggest brands such as Boots and Tesco.

Businesses carry out product trials for new products to (1)

- A guarantee sales
- B reduce their margin of safety
- C assess the likely levels of demand
- D gather secondary research

Answer

(b) Explain why this answer is correct. (3)

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(Total for Question 3 = 4 marks)



4 (a) *Nike* produce a range of footwear for men, women, children, different sports and other leisure activities.

The **most likely** reason for *Nike* to use market segmentation is to

(1)

- A more effectively target its market
- B reduce the need for market research
- C avoid the need to advertise
- D reduce the range of products being offered

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 4 = 4 marks)



5 (a) In May 2013, the US Patent and Trademark Office granted 26 patents to *Apple* for new technologies that it might use in future iPhones.

Which **one** of the following is the main reason why *Apple* uses patents?

(1)

- A** Patents legally protect *Apple's* ideas
- B** A patent guarantees the commercial success of *Apple*
- C** It is a legal requirement for producing mobile phones
- D** US patents are enforceable around the world

Answer

(b) Explain why this answer is correct.

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(Total for Question 5 = 4 marks)



- 6 (a) In April 2013, due to heavy rainfall and poor weather, the UK Potato Council warned that the supply of potatoes was down by 20%.

The **most likely** result of this was

(1)

- A a decrease in the price of potatoes
- B a shift in the supply curve of potatoes to the right
- C a shift in the supply curve of potatoes to the left
- D a movement along the supply curve for potatoes

Answer

- (b) Explain why this answer is correct.

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(Total for Question 6 = 4 marks)

TOTAL FOR SECTION A = 24 MARKS



SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence A: Kayaks manufactured by *Pyranha Ltd*



The Loki



The Shiva

Evidence B: *Pyranha Ltd*, The bite of innovation

Pyranha is Europe's largest specialist manufacturer of canoes and kayaks that are exported to 50 countries. *Pyranha* was founded by Graham Mackereth in 1971.

The kayaks are made from a unique plastic that comes in a variety of colours. *Pyranha* work extensively with their main supplier of plastic raw material, *Resinex*, to always be at the forefront of plastic technology. A *Pyranha* kayak will stay stronger and better looking for longer than many of its competitors.

Pyranha's brand name is recognised around the world as the cutting edge of kayak design and innovation. It is committed to constantly making improvements to the whole production process to support this objective. This philosophy is why *Pyranha* has become the first choice for 'serious paddlers' as *Pyranha's* design team are paddlers themselves.

Pyranha, a family business, is still run by its founder and head designer, Graham Mackereth. Its competitors are large businesses, whose interests are very different from the passion that drives *Pyranha*. Over 40 years of research and development has gone in to producing award winning designs and they are proud to advertise that *Pyranha* is a company run 'by Enthusiasts, for Enthusiasts'.

The brand name of *Pyranha* has been a great name for the business. Its website states, 'We're aggressive and we're focused on being the best. We do not try to be the cheapest, but to design and make the very best for the market sector. We use the best materials and technology. Why? Because we paddle our own kayaks and we always want to paddle further, easier and in greater comfort and safety.'



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The production facility includes custom-built energy efficient ovens which are the most advanced in the industry allowing *Pyranha* to get the best performance out of the plastics used. *Pyranha* was the first in the industry to develop the computer controlled moulding process.

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Keeping high standards of quality is the top priority at *Pyranha* and rigorous tests are completed to ensure that each boat is tough enough to be used in the harshest conditions. *Pyranha's* demand for high quality also extends to its imported components from Finland, US and Hong Kong.

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Pyranha has an ethical policy which includes issues such as waste, energy and the environment. They have been recycling since the mid-90s long before most companies thought about their environmental impact.

Pyranha do not know where their kayaks will be paddled so all are built to the same high standard. From kids to champions, Graham wants everyone to enjoy the world's biggest water sport.

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(Source adapted from: www.pyranha.com)



7 Explain **two** non-price factors that could affect the demand for *Pyranha* kayaks.

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(Total for Question 7 = 6 marks)



'We do not try to be the cheapest, but to design and make the very best for the market sector.' (Evidence B, lines 20-21)

8 (a) Explain why *Pyranha* uses a premium pricing strategy.

(6)

Dotted lines for writing the answer.



(b) Explain why it is important for *Pyranha* to maintain a close relationship with suppliers such as *Resinex*.

(6)

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(Total for Question 8 = 12 marks)



Selected data from *Pyranha*

Fixed costs to produce a casting for a new kayak design = £24 000

Average variable costs per kayak = £300

Average selling price per kayak = £900

- 9 (a) Using the above data, calculate how many of these new kayaks *Pyranha* needs to sell in order to break-even.

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Pyranha has an 'ethical policy which includes issues such as waste, energy and the environment.' (Evidence B, lines 32-33)

(b) Assess why *Pyranha* chooses to act ethically.

(8)

A series of horizontal dotted lines for writing the answer.



(Total for Question 9 = 12 marks)



10 Assess the likely importance of profit maximisation to *Pyranha*.

A series of horizontal dotted lines for writing the answer.



11 Evaluate the extent to which exchange rates might affect *Piranha*.

A series of horizontal dotted lines for writing the answer.



(Total for Question 11 = 14 marks)

TOTAL FOR SECTION B = 56 MARKS

TOTAL FOR PAPER = 80 MARKS



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