

Paper Reference 4BS1/01
Pearson Edexcel
International GCSE

Total Marks

Business
Paper 1: Investigating small businesses

Thursday 16 May 2019 – Afternoon

Time: 1 hour 30 minutes plus your additional time allowance.

In the boxes below, write your name, centre number and candidate number.

Surname					
Other names					
Centre Number					
Candidate Number					

You do not need any other materials.

YOU WILL BE GIVEN

Data Book

INSTRUCTIONS

Answer ALL questions.

Answer the questions in the spaces provided in this Question Paper or in the Data Book – 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.

A calculator may be used.

Turn over

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.

The formulae for this paper are in the Data Book.

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

Some questions are multiple choice. Write the letter(s) of your chosen answer(s) in the box(es) provided.

1. **Backyard Shoez** is a retail business located in Nairobi, Kenya. It sells a wide range of shoes, handbags and accessories for ladies only.

Backyard Shoez has three shops in Nairobi. The shops are located in a busy shopping centre where there are other shoe shops.

(Source adapted from: <https://backyardshoez.co.ke/>)

- (a) (i) Which ONE of the following is a method of secondary market research?

Select ONE answer.

- A** Questionnaires
- B** Government reports
- C** Surveys
- D** Focus groups

Answer

(1 mark)

(continued on the next page)

Turn over

1. (a) continued.

(ii) Which ONE of the following could be a financial objective for the owners of **Backyard Shoez**?

Select ONE answer.

- A** Personal satisfaction
- B** Increased production quality
- C** Increased market share
- D** Loyal employees

Answer

(1 mark)

(continued on the next page)

Turn over

1. (a) continued.

(iii) Which ONE of the following is an external source of finance for the owner of a business?

Select ONE answer.

- A Bank loan
- B Retained profit
- C Personal savings
- D Selling assets

Answer

(1 mark)

(continued on the next page)

Turn over

1. (a) continued.

(iv) Which functional area would be responsible for quality control?

Select ONE answer.

A Marketing

B Human Resources

C Production

D Administration

Answer

(1 mark)

(continued on the next page)

Turn over

1. (a) continued.

In February 2018 Backyard Shoez imported 50 handbags from Italy. Each handbag cost them €20

The exchange rate in February 2018 was
€1 = 124.48 Kenyan Shillings (Ks)

(v) How much did Backyard Shoez have to pay in Kenyan Shillings for each handbag imported in February 2018?

Select ONE answer.

A 2 489.60

B 6 224.00

C 24 896.00

D 124 480.00

Answer

(1 mark)

(continued on the next page)

Turn over

1. (a) continued.

In September **2018** the exchange rate was

€1 = 117.79 Ks

(vi) What effect would this exchange rate have on **Backyard Shoez** if the cost of an imported handbag remained at **€20**?

Select **ONE** answer.

- A** Import costs would be unchanged
- B** Net cash flow would improve
- C** The price of the handbags in euros would rise
- D** The cost of importing a handbag would fall

Answer

(1 mark)

(continued on the next page)

Turn over

1. continued.

(b) Define the term **stakeholder**.

(1 mark)

(c) Define the term **quantitative data**.

(1 mark)

(d) State ONE method **Backyard Shoez** could use for on-the-job training.

(1 mark)

(continued on the next page)

Turn over

1. continued.

**Look at the table for Question 1(e) in the Data Book.
It is an extract from the statement of Profit or Loss
Account of Backyard Shoez.**

**(e) Calculate the gross profit margin to
2 decimal places. You are advised to show
your working.**

(2 marks)

_____ %

(continued on the next page)

Turn over

1. continued.

(f) Explain ONE way a business could increase its
gross profit margin.

(3 marks)

(continued on the next page)

1. continued.

(g) Analyse the importance to **Backyard Shoez** of satisfying customer needs.

(6 marks)

Answer lines continue on the next page.

1. (g) continued.

(Total for Question 1 = 20 marks)

2. **Backyard Shoez** is now planning to sell shoes to men and children as well as ladies.

(a) State ONE fringe benefit that **Backyard Shoez** can offer its employees.

(1 mark)

(b) State ONE benefit to **Backyard Shoez** of using off-the-job training.

(1 mark)

(continued on the next page)

2. continued.

(c) Explain ONE reason why many businesses have a human resource functional area.

(3 marks)

(continued on the next page)

2. continued.

(d) Explain ONE method of above the line promotion a business could use.

(3 marks)

(continued on the next page)

2. continued.

(e) Explain ONE way the product life cycle can be extended.

(3 marks)

(continued on the next page)

2. continued.

Backyard Shoez wants to motivate its employees. It is considering two options:

Option 1: bonus payments

Option 2: job enrichment.

(f) Justify which **ONE** of these two options **Backyard Shoez** should use.

(9 marks)

Answer lines continue on the next two pages.

2. (f) continued.

[illegible]

Turn over

2. (f) continued.

(Total for Question 2 = 20 marks)

3. **Backyard Shoez** is analysing its financial position before it begins selling shoes to men and children.

(a) Define the term **profit**.
(1 mark)

(b) Outline ONE impact on **Backyard Shoez** if interest rates increase.
(2 marks)

(continued on the next page)

Turn over

3. continued.

Backyard Shoez's monthly fixed costs are **100 000 Ks** with a variable cost of **3 500 Ks** for a pair of shoes, at a selling price of **4 300 Ks**

- (c) Calculate the break–even point. You are advised to show your working.
(2 marks)

_____ **Ks**

(continued on the next page)

3. continued.

(d) Analyse the benefits to **Backyard Shoez** of using break–even analysis to plan the launch of its new shoes for men and children.

(6 marks)

Answer lines continue on the next page.

3. (d) continued.

(continued on the next page)

Turn over

3. continued.

In order to start selling shoes to men and children
Backyard Shoez will need additional finance.

The owners are considering the following
two options:

Option 1: crowdfunding

Option 2: overdraft.

(e) Justify which **ONE** of these options
Backyard Shoez should use.

(9 marks)

Answer lines continue on the next two pages.

Turn over

3. (e) continued.

[illegible]

Turn over

3. (e) continued.

(Total for Question 3 = 20 marks)

4. **Backyard Shoez** buys children's shoes for **2 400 Ks** and sells them for **3 200 Ks**

(a) Calculate the markup on these shoes. You are advised to show your working.
(2 marks)

_____ %

(continued on the next page)

4. continued.

(b) Analyse the usefulness of profitability ratios to Backyard Shoez.

(6 marks)

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4. (b) continued.

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4. continued.

(c) Evaluate the importance of primary market research to Backyard Shoez. You should use the information provided as well as your own knowledge of business.

(12 marks)

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4. (c) continued.

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4. (c) continued.

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

END OF PAPER
