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Paper Reference(s)

**XXXX/XX**

# **Edexcel GCSE**

## **Business**

### **Unit 1: Introduction to Small Business**

**Sample Assessment Material**

**Time: 45 minutes**

**Materials required for examination**

Nil

**Items included with question papers**

Nil

#### **Instructions to Candidates**

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In the boxes above, write your centre number, candidate number, your surname, initial(s) and signature.

Check that you have the correct question paper.

Answer **ALL** the questions. Write your answers in the spaces provided in this question paper.

The questions must be answered by marking the box of your chosen answer with a cross (**[X]**).

If you change your mind, put a line through the box (**[X]**) and then indicate your new answer with a cross (**[X]**).

#### **Information for Candidates**

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The marks for individual questions and the parts of questions are shown in round brackets: e.g. **(2)**.

There are 30 questions in this question paper. The total mark for this paper is 30.

There are 18 pages in this question paper. Any blank pages are indicated.

Any blank pages are indicated.

You may use a calculator.

#### **Advice to Candidates**

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Quality of written communication is not tested in this paper.

**NXXXXXX**

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**Answer ALL the questions**

**The questions must be answered by marking the box of your chosen answer with a cross ([X]).**

**If you change your mind, put a line through the box (~~[X]~~) and then indicate your new answer with a cross ([X]).**

**1.** Which of the following is **one** key feature of enterprise?

- A A willingness to take risks
- B A willingness to employ at least five workers
- C A willingness to follow a course of study in business
- D The ability to raise finance

**(1)**

**2.** Which of the following would **not** be an appropriate method of market research for a small business?

- A Employing a specialist market research company to carry out a survey of 10,000 people
- B Using published statistics about market trends
- C Asking customers to fill in a short questionnaire on the premises
- D Conducting an interview with a group of volunteer customers

Answer

**(1)**

3. Which of the following is an example of a fixed cost?

- A The payment of electricity for powering a machine used in production
- B The purchase of raw materials
- C Taking out insurance against fire and damage to the premises
- D The payment of wages related to the amount they produce

Answer

(1)

4. Which of the following would be considered as a barrier to entry in an industry?

- A Two businesses making a private agreement about where to sell their product
- B A business finding ways to increase competitiveness
- C A business deciding to lower its prices to try to increase sales
- D Two businesses launching advertising campaigns

Answer

(1)

5. Which of the following is the **most likely** reason why an individual would want to start a business?

- A To work fewer hours each week
- B To avoid paying income tax
- C To show their boss that they are as good as them
- D To control their own future

Answer

(1)

The following table shows how costs and revenue vary with output for a business.

Answer questions 6, 7 and 8 which relate to this table:

Output	Total fixed costs (£)	Total variable costs (£)	Price per unit (£)	Total revenue (£)
0	300	0	5	0
100	300	50	5	500
200	300	100	5	1000
300	300	150	5	1500
400	300	200	5	2000
500	300	250	5	2500

6. What are the total costs when output is 300?

- A 150
- B 1,500
- C 900
- D 450

Answer

(1)

7. What is the level of profit or loss when output is 100?

- A A loss of 150
- B A profit of 150
- C A profit of 500
- D A loss of 800

Answer

(1)

8. What is the level of output when a profit of £1,500 is made?

A 100

B 200

C 300

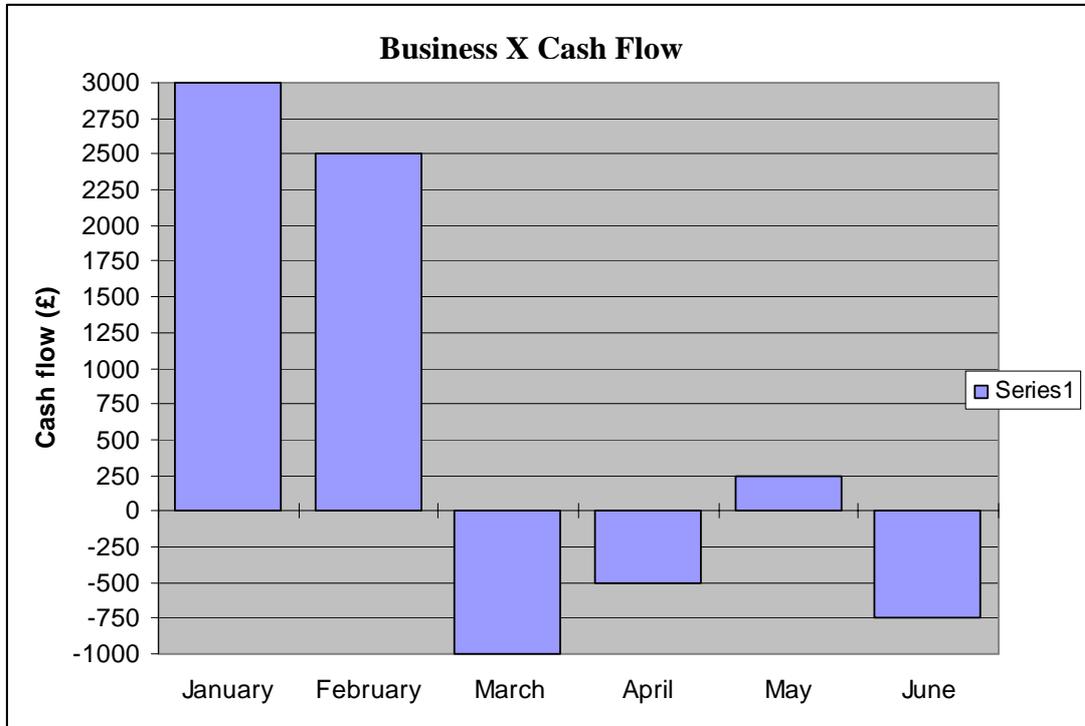
D 400

Answer

(1)

The following chart shows the cash flow for Business X.

Answer questions 9, 10 and 11 which relate to this chart:



9. Which of the following is the net cash flow for the six month period shown?

- A £5,750
- B £2,250
- C £3,500
- D £6,000

Answer

(1)

**10.** What would be the **most appropriate** way for Business X to deal with the negative cash flow in March and April?

- A Get a loan from a bank
- B Issue some new shares
- C Arrange an overdraft with their bank
- D Hire a debt collector to get payments from debtors

Answer

**(1)**

**11.** Which of the following types of taxes is a small business most likely to have to pay?

- A Stamp duty
- B Value Added Tax
- C Sales tax
- D Inheritance tax

Answer

**(1)**

**Read the following passage carefully and then answer questions 12 to 17 which all relate to the passage.**

Marie set up a new private limited company selling gift bags. Before she started the business, Marie had to produce a business plan to support her application to her bank for a loan. In her first year of trading, the biggest problems she faced were managing her cash flow and making sure she kept a record of all her income and spending.

**12.** Which of the following would Marie have had to include in her business plan?

- A All her invoices and receipts from purchases and sales
- B A copy of the design of her business card
- C A record of all her profits from the business for the past five years
- D A summary of the market research she has carried out

Answer

**(1)**

**13.** Which of the following is the best definition of the term 'cash flow'?

- A How much cash the business has over a six-month period
- B The money flowing into and out of a business over a period of time
- C The profit or loss a business makes over a period of a year
- D The amount of money flowing out of a business to pay for costs of production every year

Answer

**(1)**

14. Which of the following might be the **most likely** reason why Marie set up as a private limited company?

This is because:

- A she wanted to raise large amounts of money on the Stock Exchange
- B she wanted to be the sole owner of the business
- C she would have access to limited sources of finance
- D she would only be liable for the amount she invested if the business failed

Answer

(1)

15. Which of the following would be the **most likely** reason why Marie has to keep a record of her businesses income and spending?

- A So that she could return any faulty goods she bought to the shop
- B To be able to prove to Her Majesty's Revenue and Customs that she is paying the right amount of tax
- C To be able to prove to her family that she is running the business properly
- D So that if she made a loss she can see what item of spending caused the loss

Answer

(1)

**16.** What would be the main effect of an unexpected rise in the demand for Marie's gift bags?

- A The price of gift bags might fall
- B Fewer people might buy Marie's gift bags
- C There might be a shortage of gift bags available for sale
- D There might be a surplus of gift bags on the market

Answer

**(1)**

**17.** Marie sells some of her gift bags to a chain of supermarkets in Europe. What will be the main effect of a rise in the value of the pound compared to the euro?

- A Marie would earn less money from her sales abroad
- B Marie will find it easier to sell her bags in Europe
- C Marie will find it harder to sell her bags in Europe
- D Her buyers will find it cheaper to buy her bags

Answer

**(1)**

**18.** Which of the following is the best definition of the term 'profit'?

- A The difference between total costs and total revenue
- B The amount of money made by the business
- C The amount of money made from sales
- D The sum of all the total revenue over a period of time divided by total costs

Answer

**(1)**

A business spent:

- £10,000 on raw materials
- £30,000 on fixed costs
- £7,500 on other variable costs

and had a turnover of £50,000.

**19.** The business now buys its raw materials 10% more cheaply from a new supplier.

What effect will this have on its profit level?

The profit level will:

- A increase by £2,500
- B fall by £2,500
- C increase from £2,500 to £3,500
- D increase by 10%

Answer

**(1)**

Read the passage below carefully and then answer the questions 20 to 25 which all relate to the passage.

A small family business in Scotland produces bottled spring water for selling abroad. The success of the business is based on the quality of their product. In recent months, it has had to arrange for a new loan from its bank to finance the repair of one of its pieces of equipment. The business knows that it is subject to changes in the business cycle abroad.

**20.** If interest rates rose in the UK, what likely effect would this have on the business?

The business would:

- A see no difference because it did not have any savings
- B see its costs rise
- C see its costs falling
- D be likely to want to borrow more from the bank because the interest rate was now higher

Answer

(1)

**21.** What would be the **most likely** effect on the business of a downturn in the business cycle abroad?

- A Sales would rise
- B Sales would fall
- C There would be no impact on sales
- D Quality of the product would suffer

Answer

(1)

22. What would be the main effect on a small business of a rise in the price of a commodity like oil?

- A Its costs would fall
- B There would be no effect
- C Its prices would fall
- D Its costs would rise

Answer

(1)

23. The exchange rate between the pound and the euro stands at £1 = €1.50

How much would an Italian business buying bottles of water priced at £20.00 per case from the UK have to pay in euro?

- A €30.00
- B €21.50
- C €8.50
- D €3.33

Answer

(1)

24. The exchange rate between the pound and the euro has changed. The Italian business now pays €35.00 per case of bottled water.

What is the new exchange rate between the pound and the euro?

- A £1 = €1.75
- B £1 = €1.55
- C £1 = €1.35
- D £1 = €1.60

Answer

(1)

25. What would happen to a UK business **buying** goods from abroad if the value of the pound rose?

- A Prices would have stayed the same so there would be no effect
- B The price of imported goods would appear to be more expensive
- C The price of imported goods would appear cheaper
- D UK businesses would buy fewer goods from businesses abroad

Answer

**(1)**

JayCD, a small independent CD music store, is facing strong competition from a local supermarket selling chart CDs at very low prices.

26. Which of the following is the **least** likely method JayCD might use to compete with the local supermarket?
- A Lower its prices
  - B Launch an advertising campaign on national television
  - C Provide an ordering service for hard-to-find CDs for their customers
  - D Focus on improving the quality of customer service

Answer

(1)

JayCD carried out some market research and identified three main reasons why customers use the store:

- the choice of music
- the personal attention they receive from the staff
- they like the atmosphere in the store

27. Which of the following methods of market research do you think was **most likely** to have given JayCD the information outlined above?
- A A report on the industry published in a music magazine
  - B A discussion group of the staff in the store
  - C A questionnaire given to the customers when they visited the store
  - D Statistics produced by the Office for National Statistics on social trends

Answer

(1)

Read the passage below carefully and then answer questions 28 and 29 that relate to the passage.

Alex Tew took 20 minutes to come up with an idea to help clear his debts before going to university. Within three months he had made a million dollars by selling pixels on a website to businesses. The businesses could buy any number of pixels for \$1 each and use it to place an advert link to their business. His creation, 'The Million Dollar Homepage', was exactly that!

28. Which of the following enterprise skills do you think was the most important in contributing to Alex's success?

- A He asked why people would pay \$1 for a pixel on a website
- B He showed initiative in solving his problem of student debt
- C He didn't just ask all the right questions, he actually got up and did it
- D He thought creatively about ways to make a million

Answer

(1)

29. Alex is thinking of new ways to develop his entrepreneurial skills.

Which of the following would the **most appropriate** way Alex could protect a new business idea?

- A Keep the idea a secret
- B Write down his idea and store it safely in a bank
- C Register the idea under copyright
- D Send a copy of his idea to the government

Answer

(1)

Read the information below carefully and then answer question 30 that relates to this information.

Sanjeev wants to set up in business and be his own boss. He is thinking of setting up a shop that sells organic health care and beauty products. He has a choice to make between buying a shop in a busy part of a town centre and taking the opportunity of buying into a franchise of the Body Shop, which is in a less busy part of the town. Sanjeev has drawn up a 'good' and 'bad' list for each option as follows:

Option 1 : Set up on my own		Option 2: Body Shop franchise	
Good	Bad	Good	Bad
Total control	Could lose everything	The Body Shop is a well known brand	Not totally my own boss
Good location	Competition from high street stores such as Boots	All marketing and shop equipment provided by The Body Shop	Have to pay £50,000 to buy the franchise
All profits are mine	1 in 3 new stores fail	Similar franchises have had a 90% success rate	Have to give a proportion of my profit to The Body Shop
Satisfaction of doing it myself	Totally on my own!	Its range of products are well known	Not such a good location

30. Using the principle of calculated risk, which option would you choose if you were Sanjeev?

- A The 'on my own' route because all the reward of all the profits would be mine
- B The franchise route because it is the least risky option
- C The franchise route because people like Body Shop products and this increases the reward
- D The 'on my own' route because it is the least risky location

Answer

(1)

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**TOTAL FOR PAPER: 30 MARKS**

**END**