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Pearson Edexcel Level 1/Level 2 GCSE (9–1)					<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>					<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>				
<h1>Business</h1> <h2>Paper 1: Investigating small business</h2>														
Extra Assessment Material Set 2 for first teaching September 2017 Time: 1 hour 30 minutes							Paper Reference 1BS0/01							
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.
- 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 a financial aim for an entrepreneur when starting a new business?

Select **one** answer.

(1)

- A** Personal satisfaction
- B** Independence
- C** Market share
- D** Challenge

- (b) Which **one** of the following best defines the term stakeholder?

Select **one** answer.

(1)

- A** An owner of a private limited company
- B** Someone with an interest in the success of a business
- C** Any individual who takes decisions within a business
- D** An individual who owns shares in a business

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

(3)

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(d) Explain **one** benefit to a small business of using social media as a method of communicating with customers.

(3)

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(Total for Question 1 = 8 marks)

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

Select **two** answers.

(2)

- A** Make a profit
- B** Organise resources
- C** Adapt existing products
- D** Make business decisions
- E** Produce a business plan

(b) Which **two** of the following are possible impacts on a small business of lower interest rates?

Select **two** answers.

(2)

- A** Higher fixed costs
- B** Lower insurance premiums
- C** Customers more likely to purchase using credit
- D** Lower costs of borrowing money
- E** Increased variable costs due to higher loan repayments

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Table 1 contains information about the number of new business start-ups in four cities in the UK in 2016.

City	Number of new start-ups
London	205 320
Birmingham	17 473
Leeds	7 645
Liverpool	4 915

Table 1

- (c) Using the information in Table 1, calculate, to 2 decimal places, the number of new start-ups in Birmingham as a percentage of the number of new start-ups in London. You are advised to show your workings.

(2)

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- (d) Explain **one** impact on a small business of a reduction in government taxation.

(3)

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(e) Explain **one** reason why a business could use a market map.

(3)

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3 (a) Which **one** of the following is a benefit of starting a business as a franchise?

Select **one** answer.

(1)

- A Lower variable costs
- B Support from the franchisor
- C Higher interest rates for borrowing
- D Franchisees pay lower tax

Figure 1 shows a break even diagram for a business.

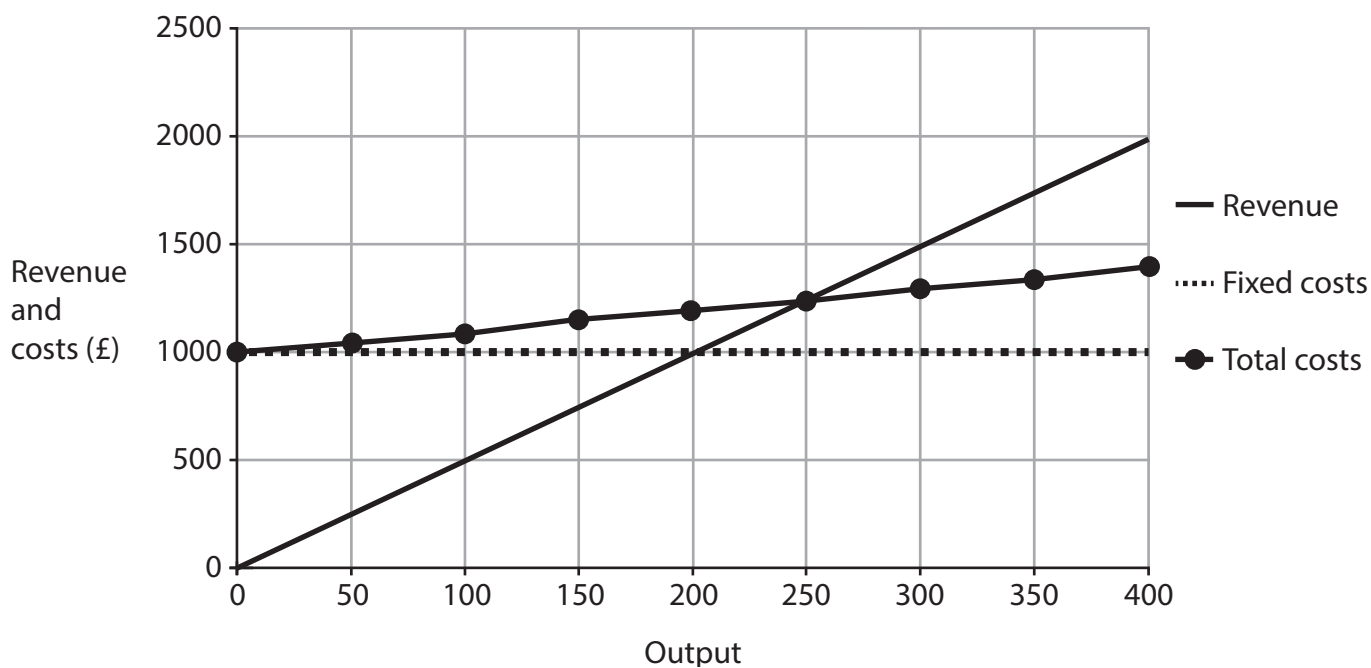


Figure 1

The business produces 400 units of output.

(b) Using the information in Figure 1, calculate the margin of safety.

(2)

..... units



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

(3)

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(d) Explain **one** benefit to employees of employment law.

(3)

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(e) Discuss the impact on a business of having limited liability.

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(Total for Question 3 = 15 marks)

TOTAL FOR SECTION A = 35 MARKS

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SECTION B

Answer ALL questions.

Read the following extract carefully and then answer Questions 4, 5 and 6.

Write your answers in the spaces provided.



Zoe Sugg, known to her fans as Zoella, is an entrepreneur and a star of YouTube. She has enjoyed success with her fashion and lifestyle vlog (video log) and has become a celebrity as well as an entrepreneur. After starting her lifestyle blog, 'Zoella', in 2009, she soon had thousands of followers. Zoe extended the blog to a YouTube channel and by 2015 had 7.5 million subscribers.



In September 2014 Zoe launched her own brand bath and beauty range, called *Zoella Beauty*. The brand logo is shown in Figure 2. *Zoella Beauty* products are stocked by major retailers, including Superdrug and Boots. The business also uses e-commerce to sell its product range.

Figure 2

In 2014 *Zoella Beauty* earned revenue of £400 000. However, the competitive environment for beauty products aimed at younger females is becoming more crowded. Rivals include retailers such as Lush.

(Source: adapted from <http://startups.co.uk/young-entrepreneurs-zoe-sugg-zoella/>)

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4 (a) Outline **one** way that *Zoella Beauty* could use digital communication.

(2)

Zoella Beauty adds value to its product range through branding.

(b) Analyse the benefit to *Zoella Beauty* of adding value.

(6)

(Total for Question 4 = 8 marks)

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5 A retailer selling *Zoella Beauty* products has three shops, A, B and C. Financial information for the three shops in the month of June is shown in Table 2.

	Shop A	Shop B	Shop C
Receipts	£17 300	£23 200	£25 000
Total payments	£11 200	£18 200	£16 800
Opening balance	£5 100	£3 500	£2 100
Closing balance	£11 200	£8 500	£10 300

Table 2

(a) Using the information in Table 2, outline why Shop C has the most favourable net cash flow position.

(2)

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(b) Using the information in Table 2, calculate the average closing balance. You are advised to show your workings.

(2)

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(c) Analyse the impact on *Zoella Beauty* of changes in what consumers want.

(6)

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(Total for Question 5 = 10 marks)

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6 (a) State **one** impact on *Zoella Beauty* of using e-commerce to sell its products.

(1)

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(b) Outline **one** way that *Zoella Beauty* meets customer needs.

(2)

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Zoella Beauty is considering two options to develop the marketing mix of its beauty product line:

Option 1: Increase promotion of the brand.

Option 2: Reduce prices to compete with rival products.

(c) Justify which **one** of these two options Zoella Beauty should choose.

(9)

(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.

Erik Fairbairn started *POD Point* in 2009. Based in the UK, the business builds and supplies charging systems for electric cars. Erik felt that the demand for such cars was going to grow and saw a business opportunity. *POD Point* is a way of charging an electric car at home.



Sales were promising and the business decided to expand. In 2014 *POD Point* raised £1.5 million through the crowd funding site Seedrs. In 2017 it raised a further £1.5 million using CrowdCube website.

By 2017 the business had over 25,000 customers, many of whom are in other countries. For example, 20% of revenue comes from exports to Norway. The business is affected when the exchange rate changes.

The business uses market research data that suggests that the demand for electric cars will continue to rise. Figures 3 and 4 show examples of market research in the car industry.

Market Report: car industry

January 2016

**Sales of electric cars expected to rise by 45%
over next 3 years**

Figure 3

(Source: adapted from <http://startups.co.uk/the-entrepreneur-erik-fairbairn-pod-point/>)

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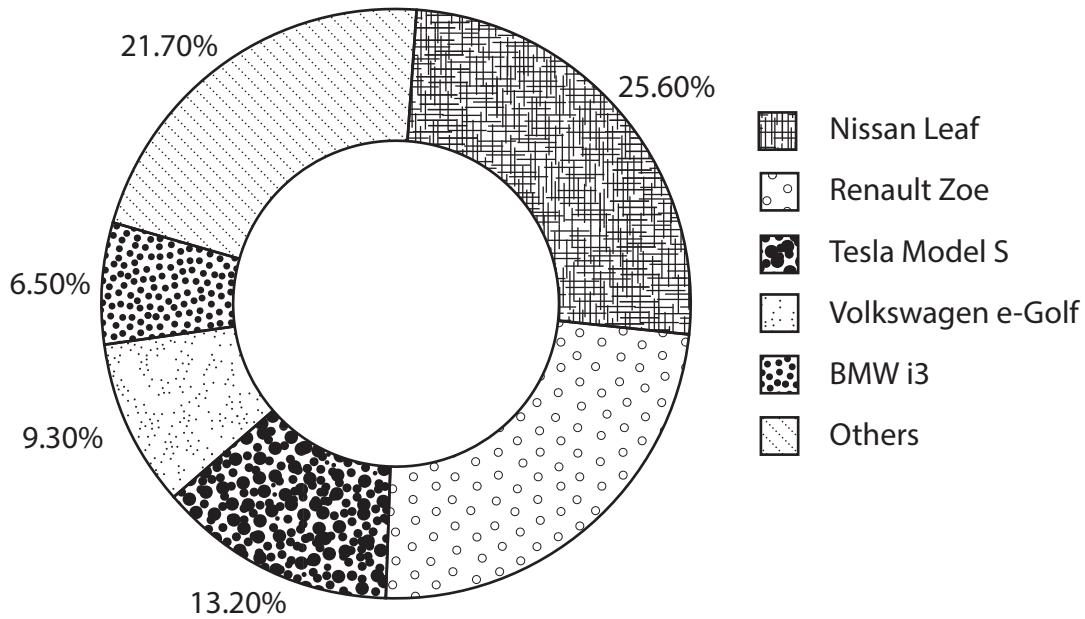
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7 (a) State **one** variable cost that *POD Point* may have to pay.

(1)

Figure 4 shows the market share of models of electric cars in selected European countries in 2016.



(Source: adapted from <https://cleantechnica.com/2016/05/30/top-electric-cars-uk-norway-netherlands-germany-france/>)

Figure 4

(b) Using Figure 4, calculate the percentage market share of the Renault Zoe in 2016. You are advised to show your workings.

(2)

..... %

(c) State **one** impact on *POD Point* of using crowd funding as a source of finance.

(1)



The UK economic climate is important for *POD Point*. It is considering two options to reduce the impact of falling UK consumer incomes on sales:

Option 1: Focus on selling to foreign customers.

Option 2: Cut costs of production.

(d) Justify which **one** of these two options *POD Point* should choose.

(9)

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(e) Evaluate the importance of the reliability of market research data for *POD Point*.
You should use the information provided as well as your knowledge of business.

(12)

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(Total for Question 7 = 25 marks)

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

