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Surname					Other names									
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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 2: Building a business</h2>														
Extra Assessment Material Set 1 for first teaching September 2017 Time: 1 hour 30 minutes							Paper Reference 1BS0/02							
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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Pearson

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 the first stage of the product life cycle?

Select **one** answer.

(1)

- A** Decline
- B** Growth
- C** Introduction
- D** Maturity

(b) Which **one** of the following is a financial method of motivating an employee?

Select **one** answer.

(1)

- A** Autonomy
- B** Job enrichment
- C** Job rotation
- D** Remuneration

(c) Explain **one** drawback to a business of using batch production.

(3)

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(d) Explain **one** benefit to a business of using loan capital as a source of finance.

(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 services?

Select **two** answers.

(2)

- A** Chocolate bars
- B** Education
- C** Financial advice
- D** Magazines
- E** Washing machines

(b) Which **two** of the following are methods of inorganic growth?

Select **two** answers.

(2)

- A** Innovation
- B** Merger
- C** New products
- D** Research and development
- E** Takeover

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Table 1 contains information about a new piece of machinery that a business will keep for five years.

Total profit over five years	£500 000
Cost of new machine	£50 000

Table 1

(c) Using the information in Table 1, calculate the average rate of return of the new machine. You are advised to show your workings.

(2)

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(d) Explain **one** impact on a business of producing high-quality products.

(3)

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(e) Explain **one** disadvantage for a business of making a poor logistical decision.

(3)

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3 (a) Which **one** of the following is an immediate benefit of just in time (JIT) stock control?

Select **one** answer.

(1)

- A Improved customer service
- B Higher market share
- C Improved availability of stock
- D Lower warehousing costs

Figure 1 shows the market share of three businesses in 2016. The entire market generated £150 million of revenue.

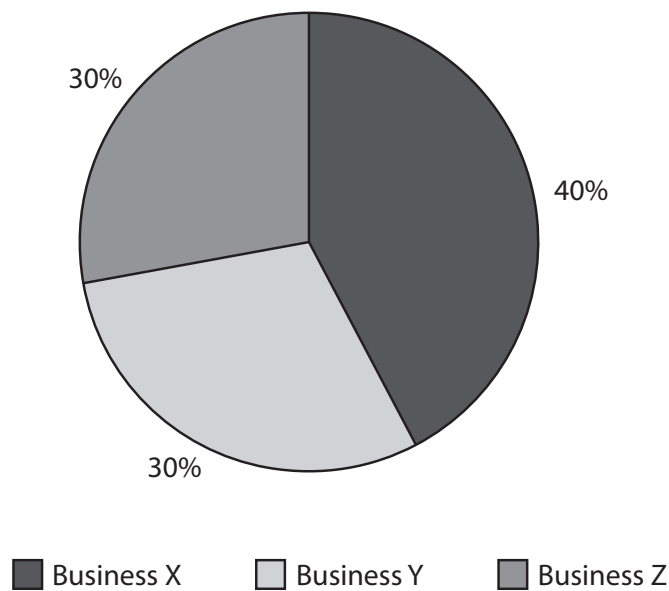


Figure 1

(b) Using the information in Figure 1, calculate the revenue for Business X. You are advised to show your workings.

(2)

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(c) Explain **one** drawback to a business if a tariff is placed on the raw materials it imports.

(3)

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(d) Explain **one** benefit to a business of setting employees individual targets to achieve.

(3)

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(e) Discuss the disadvantage for a business of allowing its employees to use remote working.

(6)

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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.



(Source: © Francis Vachon / Alamy Stock Photo)

Netflix is an American public limited company that sells subscriptions to its online video streaming service. A subscription allows consumers in over 190 countries to stream television programmes and films through the internet.

In 2016 *Netflix* decided to increase the price of its standard UK subscription from £5.99 to £7.49 per month. This move reflected *Netflix's* shift towards producing more of its own original streaming content, such as the hit drama 'Stranger Things', rather than repeating shows that are available on terrestrial channels such as BBC1 or itv1.

In recent years, the online streaming market has become increasingly competitive with rivals, such as Amazon Prime, investing \$180 million on 36 episodes of 'The Grand Tour'. To keep up, *Netflix* has committed itself to spending \$6bn on new, original programming in 2017.

Netflix faces the difficulty of raising prices to fund new shows, whilst at the same time not putting off new and existing subscribers. However, *Netflix* continues to expand and build up its library of programmes and films from non-English speaking countries. *Netflix's* longer-term aim is to successfully enter the Chinese market.

(Source: adapted from <http://bigstory.ap.org/article/95de4a23315f4abc9a4d72dcc75f3ff2/netflix-tests-limits-price-increases-original-shows>)

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4 (a) Outline **one** impact on *Netflix* from an increase in competition.

(2)

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(b) Analyse the benefit to *Netflix* of using the internet to distribute its video streaming service.

(6)

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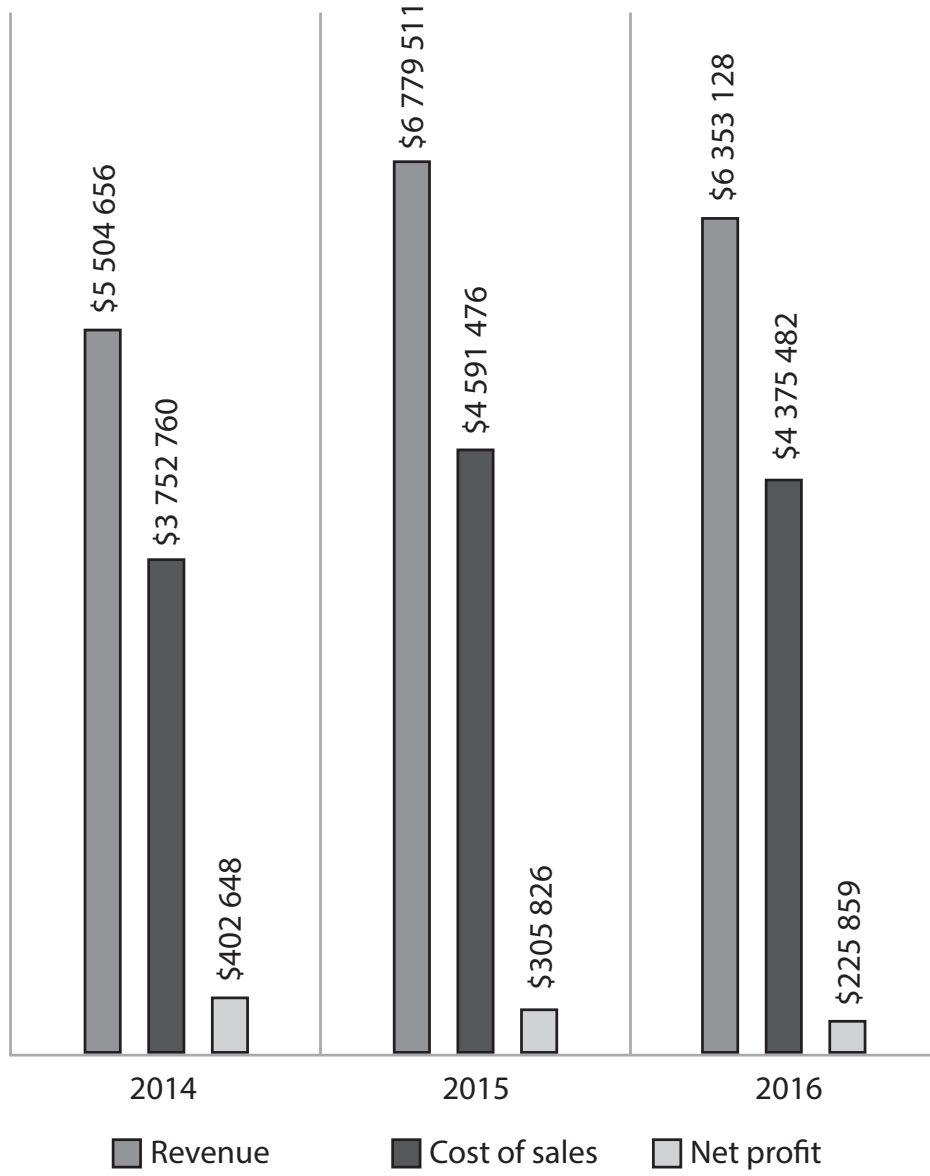
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5 Figure 2 shows selected information about *Netflix's* financial performance between 2014 and 2016.



(Source: http://files.shareholder.com/downloads/NFLX/3523195881x0x900085/2EA1F18D-9BE4-4731-A351-CBAD36643AC4/Consolidated_Statements_of_Operations.xlsx)

Figure 2

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(a) Using the information in Figure 2, calculate *Netflix's* gross profit in 2015. You are advised to show your workings.

(2)

\$

(b) Using the information in Figure 2, calculate, to 2 decimal places, *Netflix's* net profit margin in 2014. You are advised to show your workings.

(2)

..... %



In 2016 *Netflix* decided to increase the price of its standard UK subscription.

(c) Analyse the impact on *Netflix* of this price increase.

(6)

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(Total for Question 5 = 10 marks)

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6 (a) State **one** benefit to *Netflix* from producing its 'own original streaming content'.

(1)

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(b) Outline **one** advantage for *Netflix* of being a public limited company.

(2)

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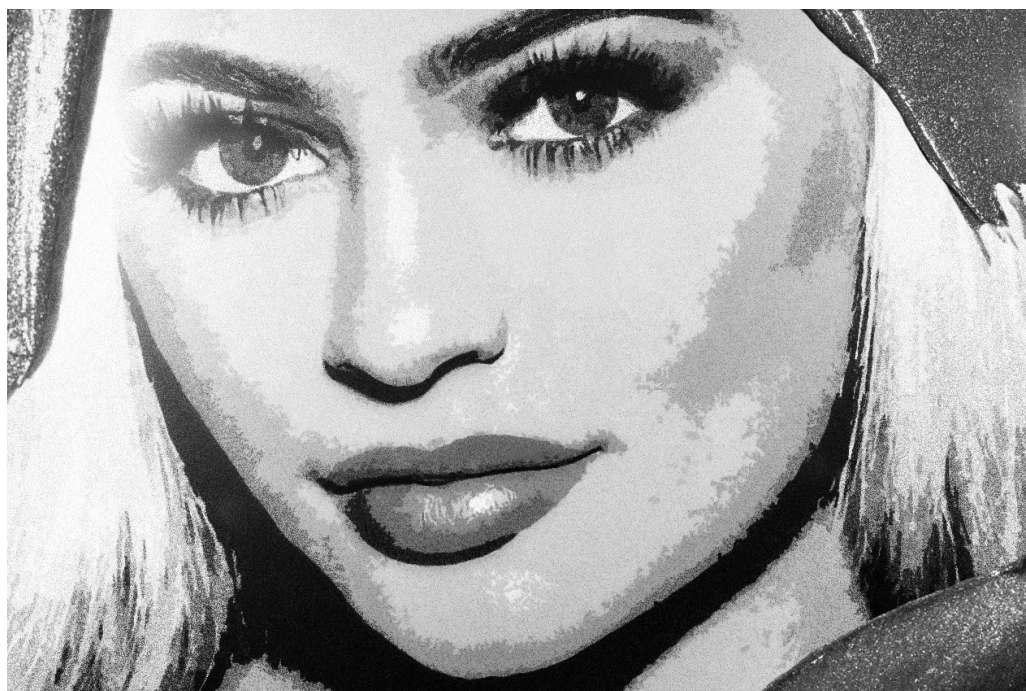


SECTION C

Answer ALL questions.

Read the following extract carefully and then answer Question 7.

Write your answers in the spaces provided.



Famous from her role in hit reality television series 'Keeping Up with the Kardashians', 19-year-old Kylie Jenner is now also recognised as a successful teenage entrepreneur in her own right.

Celebrated for her full lips, Kylie Jenner decided to launch a range of lip kits with unique names such as 'Dolce K'. These products sold out within 10 minutes, as her fan base of teenage girls rushed to copy her celebrity look. The success of these products convinced Kylie to start her own internet cosmetics company, *Kylie Cosmetics*. She has now increased its range of products to include an eye shadow and eyeliner called Kyshadow and Kyliner respectively.

Kylie regularly interacts with her fans and potential customers using social media. Her app (application), which provides make-up and fashion tips, is one of the most downloaded entertainment apps in the UK. Every *Kylie Cosmetics* product has a launch date and products are only available for a limited period of time, before they sell out. Once the products have sold out, customers may have to wait weeks before the cosmetics are available for sale on the *Kylie Cosmetics* website again. None of *Kylie Cosmetics'* products are tested on animals and virtually all of them are suitable for vegans.

(Source: adapted from <http://www.vanityfair.com/style/2016/10/kylie-jenner-lip-kits-seed-beauty-colourpop>)

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7 (a) Give **one** type of social media that a business could use to interact with its customers.

(1)

Figure 3 shows the ranking of the Kylie Jenner Official App in the UK entertainment iPhone download charts from July to September 2016.



(Source: https://www.appannie.com/apps/ios/app/kylie-jenner-official-app/rank-history/#vtype=day&countries=GB&start_date=2016-07-01&end_date=2016-09-30&device=iphone&view=rank&lm=1)

Figure 3

(b) Using Figure 3, identify the month where the Kylie Jenner Official App fell to its lowest ranking in the UK iPhone entertainment download chart.

(1)



S 5 7 6 0 2 A 0 1 9 2 3

(c) Outline **one** reason why *Kylie Cosmetics* has chosen not to test its products on animals.

(2)

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To improve the sales of its products, *Kylie Cosmetics* is considering two options:

Option 1: Increase advertising using social media.

Option 2: Increase the number of products that are only available for a limited period of time.

(d) Justify which **one** of these two options *Kylie Cosmetics* should choose.

(9)

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S 5 7 6 0 2 A 0 2 1 2 3

(e) Evaluate whether *Kylie Cosmetics* should target a specific market segment to gain a competitive advantage. 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

