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Surname					Other names				
Centre Number					Candidate Number				
Pearson Edexcel Level 1/Level 2 GCSE (9–1)									
<h1>Business</h1> <h2>Paper 1: Investigating small business</h2>									
Extra Assessment Material Set 1 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 statements about a franchise is correct?

Select **one** answer.

(1)

- A** A franchisee makes all their own decisions
- B** The franchisor pays the franchisee to set up in business
- C** The franchisor provides continued help and support
- D** Franchises pay lower Value Added Tax than sole traders

(b) Which **one** of the following is a definition of margin of safety?

Select **one** answer.

(1)

- A** The difference between actual and break even levels of output
- B** Where total revenue and total costs are equal
- C** The number of sales required to reach break even
- D** Profit made above the break even level of output

(c) Explain **one** benefit to a small business of carrying out market research.

(3)

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2 (a) Which **two** of the following are examples of cash inflows?

Select **two** answers.

(2)

- A** Bank loans
- B** Raw materials
- C** Receipts
- D** Suppliers
- E** Wages

(b) Which **two** of the following are advantages for an entrepreneur of starting a business as a sole trader?

Select **two** answers.

(2)

- A** Limited liability means losses can be minimised
- B** Owner has control of decision making
- C** Break even level of output will be higher
- D** Less risky than other types of business structure
- E** Any profits can be kept by the owner

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Table 1 contains information about a small business for one month. The business sold 270 units in this month.

Fixed costs	£2 100
Variable costs (per unit)	£110
Sales price (per unit)	£200

Table 1

- (c) Using the information in Table 1, calculate the profit for this business. You are advised to show your workings.

(2)

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- (d) Explain **one** benefit to an entrepreneur of starting a business as a private limited company.

(3)

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(e) Explain **one** way an entrepreneur might identify a new business idea.

(3)

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(Total for Question 2 = 12 marks)

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3 (a) Which **one** of the following is an example of secondary market research?

Select **one** answer.

(1)

- A Customer survey
- B Focus group
- C Market report
- D Observation

Figure 1 shows the change in the revenue of a business over three months.

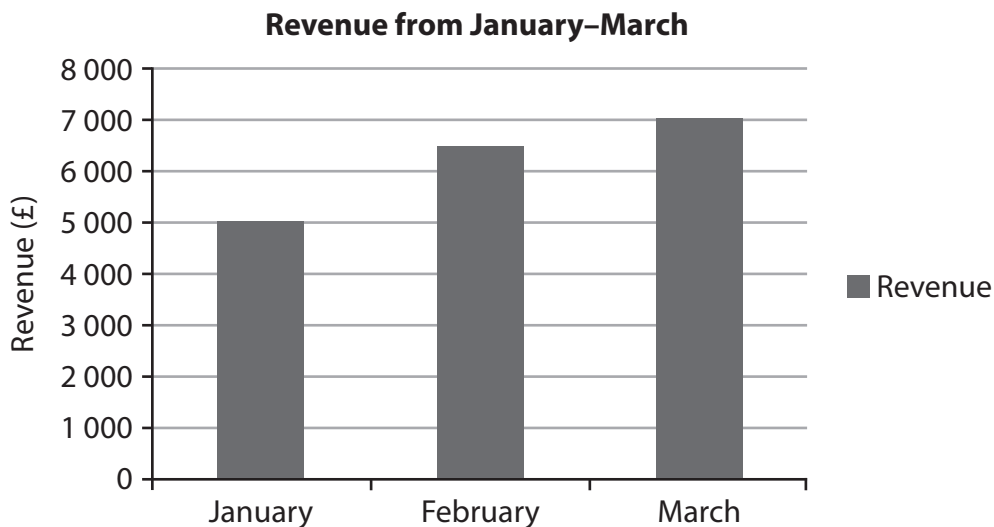


Figure 1

(b) Using the information in Figure 1, calculate the percentage increase in revenue between January and March. You are advised to show your workings.

(2)

..... %



(c) Explain **one** way in which social media can be used to collect market research data.

(3)

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(d) Explain **one** possible objective of employees within a business.

(3)

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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.



In 2012 Jerry and Shelley Lawson started a new business – *Frog Bikes*. The aim was to produce lightweight and affordable children’s bikes. The company’s bikes were designed for children using the latest technology. The bikes are produced in a Chinese factory and sold in the UK and other countries.

The business quickly became successful. By 2016 its bikes were sold in over 700 shops in the UK. It faces competitors such as JE James which sell similar bikes in the UK.

Frog Bikes uses social media to promote its bikes. Figure 2 shows a competition run on the *Frog Bikes* Twitter account. To enter the competition people needed to follow the business on Twitter.

As a manufacturer and retailer, *Frog Bikes* has to comply with a large amount of legislation. All bikes meet ISO (International Standards Office) standards. This ensures they are safe for children. Rules include the need for all bikes to be fitted with a chain guard, and for handlebars to be safety checked.

In 2016 Jerry and Shelley decided to increase production to meet the growing demand. They considered expanding the company’s Chinese factory, or building a new factory in the UK.



Figure 2

(Source: adapted from <http://startups.co.uk/startups-100/2016/8-frog-bikes/>)



- 5 A retailer selling *Frog Bikes* bicycles has the following financial information for the month of April.

	April
Opening cash balance	£3 500
Receipts (cash)	£1 200
Sales (due in cash in 60 days)	£1 100
Total payments	£700

Table 2

- (a) Using the information in Table 2, calculate, to 2 decimal places the value of total payments as a percentage of receipts (cash). You are advised to show your workings.

(2)

..... %

- (b) Using the information in Table 2, calculate the net cash flow for April. You are advised to show your workings.

(2)

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6 (a) State **one** impact on *Frog Bikes* of having a 'growing demand' for its products.

(1)

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(b) Outline **one** benefit to Jerry and Shelley of *Frog Bikes* being successful.

(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.



Good and Proper Tea was founded in 2012 by Emilie Holmes. The business website states:

'We source our teas from around the world, from Kenya to India, Japan to China and many more places in between. It is important to us that we know exactly where each tea comes from and who is responsible for harvesting the leaves we buy. We will always share this information with our customers'

The business started when Emilie converted an old Citroën van (pictured right) into a mobile brew bar. Emilie wanted to expand the business. To achieve this she needed finance.

She decided to raise finance using crowdfunding through the Kickstarter website. 372 individual backers each provided between £1 and £1000. *Good and Proper Tea* was launched. The first cup of tea was brewed and sold in Shoreditch, London, in 2012.



The success of the mobile business led Emilie to plan to open a shop selling the same high-quality teas. Once again she decided to use crowdfunding as her source of finance. This time, using the Crowdcube website, she successfully raised £140,000. The shop was opened in 2016 and is very successful.

As *Good and Proper Tea* imports its most important ingredient, it is affected by changes in the exchange rate. Recent changes in the value of the pound mean that its costs have increased.

(Source: adapted from <http://www.stylist.co.uk/stylist-network/work-life/work-life-emilie-holmes-founder-good-and-proper-tea>)

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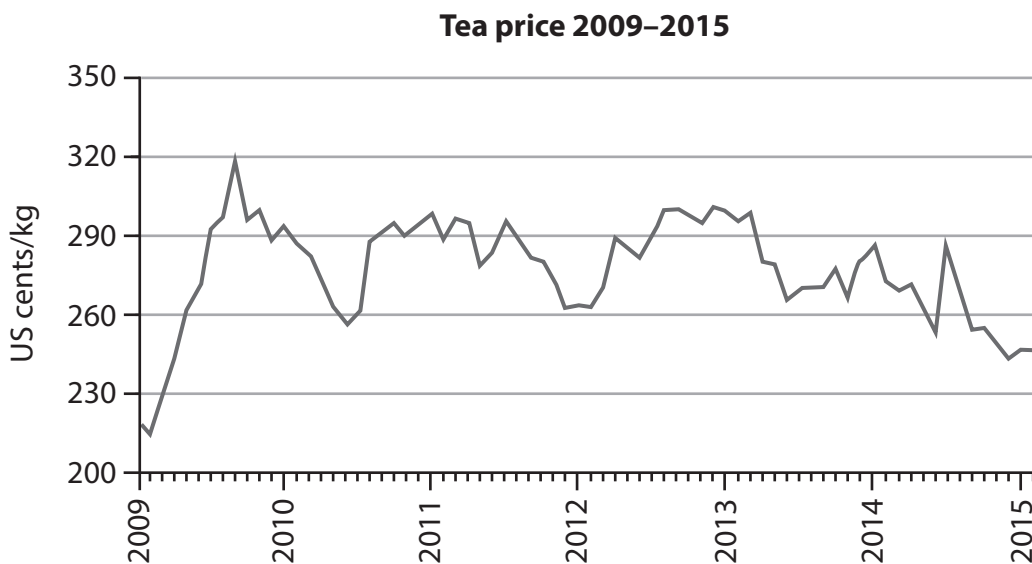
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7 (a) State **one** example of a fixed cost that *Good and Proper Tea* needs to pay.

(1)

Tea is a commodity that is sold on international markets. Figure 3 shows the price of tea between 2009 and 2015.



(Source: <http://www.indexmundi.com/commodities/?commodity=tea>)

Figure 3

(b) Using Figure 3, identify the year in which the price of tea increased by the greatest amount.

(1)

(c) Outline **one** impact of changing levels of consumer incomes on *Good and Proper Tea*.

(2)



(e) Evaluate whether crowdfunding is an effective source of finance for *Good and Proper Tea*. 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

