

Write your name here

Surname

Other names

**Pearson**  
**Edexcel GCSE**

Centre Number

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Candidate Number

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**Business Studies,**  
**Business Communications,**  
**Business Studies and Economics**  
**Unit 1: Introduction to Small Business**

Wednesday 23 May 2018 – Morning  
**Time: 45 minutes**

Paper Reference

**5BS01/01**

**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.*

### Information

- The total mark for this paper is 40.
- 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.

### 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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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 Which **two** of the following are examples of market segments for a computer games shop?

Select **two** answers.

- A Rival computer games shop
- B Members of a computer club
- C Computer games adverts
- D Market research of computer games
- E Teenagers who play computer games

(Total for Question 1 = 2 marks)

2 Which **two** of the following are reasons why a sole trader would become a private limited company?

Select **two** answers.

- A The business will have unlimited liability
- B The risk of losing personal assets is reduced
- C The business can keep financial records confidential
- D Shareholders are liable for all debts
- E Increased ability to raise finance

(Total for Question 2 = 2 marks)

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Questions 3–7 are based on the information below.

Max set up *Maximillian's Musical Emporium (MME)*. *MME* is a high street shop that sells only rare vinyl records.

*MME* also takes bookings for a number of local bands. The customer asks *MME* for a band that plays a particular type of music and *MME* finds a band.

Max needs a loan to expand his business. As *MME* is an established business, the bank agreed a loan with an interest rate of 6.5%.

- 3 Which **two** of the following would improve the competitiveness of *MME* against other local music shops?

Select **two** answers.

- A Offering advice on rare records
- B Reducing opening hours
- C Providing a low-priced delivery service
- D A new competitor opens in the local area
- E Advertising on national television

(Total for Question 3 = 2 marks)

- 4 The bank has increased the interest rate on *MME's* existing loan from 6.5% to 8%.

Identify **two** effects of this change on *MME*.

Select **two** answers.

- A Decreased net cash flow
- B Increased variable costs
- C Decreased fixed costs
- D Increased cash outflows
- E Increased profit

(Total for Question 4 = 2 marks)



**Advertisement A**

DRUMMER WANTED

To join local band  
Own drums required  
Must have two years' experience  
Be qualified up to Grade 6  
Willing to work evening shifts  
Capable of playing all types of music  
  
Contact Max 8745 2345689

**Advertisement B**

DRUMMER WANTED

To join local band  
Own drums required  
Must have five years' experience  
Be qualified up to Grade 8  
Willing to work weekends  
Capable of playing all types of jazz music  
  
Contact Max 8745 2345689

**Advertisement C**

DRUMMER WANTED

To join local band  
Own drums required  
Must have three years' experience  
Be qualified up to Grade 5  
Willing to work evening shifts  
  
Contact Max 8745 2345689

**Advertisement D**

DRUMMER WANTED

To join local band  
Own drums required  
Must be qualified up to Grade 7  
Willing to work evening shifts  
Must be under 20 years of age  
Capable of playing all types of music  
  
Contact Max 8745 2345689

**Advertisement E**

DRUMMER WANTED

To join local band  
Own drums required  
Must be female  
Must be qualified up to Grade 4  
Willing to work evening shifts  
Must have full driving licence  
Capable of playing all types of classical music  
  
Contact Max 8745 2345689



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5 Which **two** of the advertisements above would break employment legislation when recruiting a drummer for a band?

Select **two** answers.

- A Advertisement A
- B Advertisement B
- C Advertisement C
- D Advertisement D
- E Advertisement E

(Total for Question 5 = 2 marks)

6 Which **one** of the following would be a non-financial objective for Max?

Select **one** answer.

- A Generating wealth
- B Personal satisfaction
- C Maximising profit
- D Regular income

(Total for Question 6 = 1 mark)

7 Which **one** of the following would be a benefit for *MME* if it delayed paying its suppliers?

Select **one** answer.

- A Increased profit
- B Improved cash flow
- C Reduced interest payments
- D Improved relationship with suppliers

(Total for Question 7 = 1 mark)



8 Which **three** of the following are examples of changes that could be made to the marketing mix of a small business?

Select **three** answers.

- A Employing additional marketing staff
- B Conducting secondary market research
- C Offering 'buy one get one free'
- D Producing a marketing budget
- E Selling the product online
- F Introducing new items for sale

(Total for Question 8 = 3 marks)

9 Which **two** of the following are advantages to a business of using venture capital?

Select **two** answers.

- A It decreases access to additional finance
- B The business would not have to produce a business plan
- C The business can benefit from expert advice
- D It allows more access to finance
- E The business will pay a lower rate of Corporation Tax

(Total for Question 9 = 2 marks)

10 Which **one** of the following would be a reason to set up a new business as a franchise?

Select **one** answer.

- A A franchisee can buy supplies from any supplier
- B The wage rates for all the franchises are the same
- C Franchisees can make all their own decisions
- D A franchise has a lower risk of failure

(Total for Question 10 = 1 mark)



**Questions 11–13 are based on the information below.**

*Go Jewels* is a small jewellery business making earrings and necklaces from stones and pebbles found on local beaches. Once the stones and pebbles have been collected, they are washed, prepared and made into items of jewellery, by adding small and delicate accessories.

*Go Jewels* makes 240 items a month.

Average price per item £27

Variable costs per item £12

Fixed costs per month £600

**11** What are the monthly total costs for *Go Jewels*?

Select **one** answer.

- A** £2 880
- B** £3 480
- C** £3 600
- D** £6 480

**(Total for Question 11 = 1 mark)**

**12** Which **three** of the actions below would improve *Go Jewels*' cash flow, assuming sales remain the same?

Select **three** answers.

- A** Buy cheaper raw materials
- B** Increase the price of each item
- C** Increase the amount spent on advertising
- D** Add additional products to the range sold
- E** Employ additional sales staff
- F** Rent cheaper premises

**(Total for Question 12 = 3 marks)**



Go Jewels is opening another shop in the next town. A business plan is being produced.

**13** Which **two** of the following are the main reasons for producing a business plan?

Select **two** answers.

- A** To include personal details of staff who will be employed
- B** To provide an opportunity to attract more customers
- C** To reduce the chance of the business failing
- D** To guarantee that the business makes a profit
- E** To help gain potential investors

(Total for Question 13 = 2 marks)

*JTM* is a small sewing business that carries out alterations and repairs to clothes. James, the owner, was keen to find out the views of his customers. He asked 200 customers the following question when they were in his shop.

“What is the main reason for using my shop?”

The table below shows the results of the customers surveyed.

Reason	Percentage of responses
Design of shop	6%
Friendly staff	11%
Value for money	15%
Fast and reliable service	21%
Opening hours	13%
Quality of work	34%

**14** Identify **two** conclusions that can be drawn from the table.

Select **two** answers.

- A** 11 customers are attracted by friendly staff
- B** The quality of work is more important than value for money and opening hours
- C** Most customers are attracted by fast and reliable service
- D** More than 6 customers think the least important reason is the design of the shop
- E** Less than 30 customers are attracted by a fast and reliable service

(Total for Question 14 = 2 marks)





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**15** Which **two** of the following are key features of enterprise?

Select **two** answers.

- A** Being prepared to take risks
- B** The ability to raise finance
- C** Having support from your family
- D** A willingness to take initiative
- E** Having management qualifications

**(Total for Question 15 = 2 marks)**

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Questions 16–17 are based on the information below.

Georgio has a Greek restaurant in the centre of Birmingham. To ensure that his meals are as authentic as possible he imports some of the ingredients from Greece. The exchange rate between the pound (£) and the euro (€) is very important to Georgio.

He buys 150 kg of feta cheese from Greece every month. The cheese costs €15 per kg.

**16** The exchange rate is £1.00 = €1.35. How much does Georgio have to pay, in pounds (£), to buy the feta cheese each month?

Select **one** answer.

- A** £1 666.67
- B** £2 250.00
- C** £2 251.35
- D** £3 037.50

(Total for Question 16 = 1 mark)

Since his last shipment in April the exchange rate has changed to £1.00 = €1.50.

**17** What would be **one** effect on Georgio's business of this change, assuming he imports the same amount of cheese each month?

Select **one** answer.

- A** Lower profit
- B** Cash flow deteriorates
- C** Able to charge lower prices
- D** Higher variable costs

(Total for Question 17 = 1 mark)



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The following is an extract from a cash flow forecast.

**18** Fill in the **three** blanks to complete the cash flow forecast.

	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	
	000s	000s	000s	
Cash inflow	25	26	32	
Cash outflow		30	83	(1)
Net cash flow	12		(51)	(1)
Opening bank balance	32	44	40	
Closing bank balance	44	40		(1)

**(Total for Question 18 = 3 marks)**

Keith wanted a change from working for someone else at the local sports shop. He wanted to set up his own business selling sports equipment. He estimated that it would cost him £25 000 to set up.

**19** Which **two** of the following would be a calculated risk for Keith's business?

Select **two** answers.

- A** Keith has calculated that his Value Added Tax (VAT) will be £2 350
- B** His estimated costs for the second year of trading will increase by 12%
- C** There is a 40% possibility that his business will survive the first year
- D** Keith has estimated that the demand for his products will increase by 15%
- E** There is an 80:20 chance of Keith's business failing

**(Total for Question 19 = 2 marks)**



**20** Match the definition on the left with the correct term on the right.

The first one has been done for you.

Definition	
i	A visual means of showing where a product is positioned in the market.
ii	Groups or individuals with an interest in the success of a business.
iii	Market research that has been collected by another business.
iv	The quantity of a good or service that consumers want to purchase at a given price.
v	Solving problems using a creative approach.
vi	The wants and desires of potential buyers of goods and services.

Term	
A	Shareholders
B	Revenue
C	Customer needs
D	Secondary research
E	Market map
F	Primary research
G	Lateral thinking
H	Stakeholders
I	Market demand

(i) ..... E

(ii) .....

(iii) .....

(iv) .....

(v) .....

(vi) .....

**(Total for Question 20 = 5 marks)**

**TOTAL FOR PAPER = 40 MARKS**

