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Pearson
Edexcel GCSE

Centre Number

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Candidate Number

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Business Studies

Unit 3: Building a Business

Friday 10 June 2016 – Afternoon
Time: 1 hour 30 minutes

Paper Reference

5BS03/01

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** the questions in Sections A, B and C.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

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.*
- Questions labelled with an **asterisk** (*) are ones where the quality of your written communication will be assessed
– *you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.*
- 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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PEARSON

SECTION A

Answer ALL the questions. You should spend 40 minutes on this section.

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) Figure 1 shows a diagram of Maslow's Hierarchy of Needs.

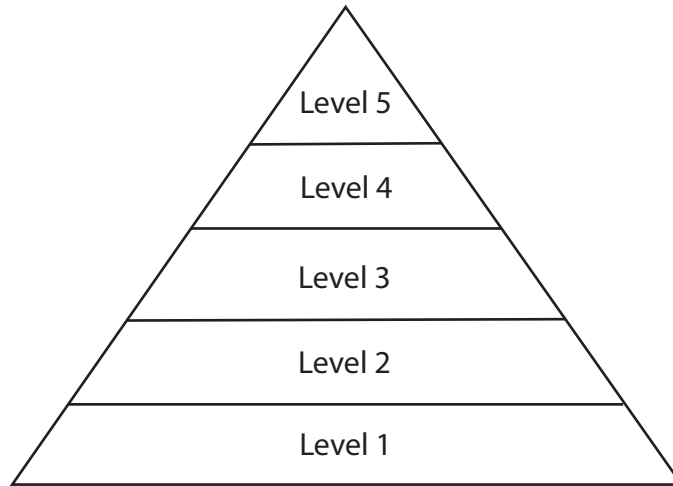


Figure 1

Which need is represented by Level 5?

Select **one** answer.

(1)

- A** Self-actualisation
- B** Security
- C** Physical
- D** Esteem

(b) Identify **one** possible barrier to effective communication.

(1)

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(c) Explain **one** impact of insufficient communication on a business.

(3)

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(d) Explain **one** benefit to a business of using a decentralised organisational structure.

(3)

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(Total for Question 1 = 8 marks)





Soap and Glory is a cosmetics company founded in the UK in 2006 by Marcia Kilgore. Some of its best-selling cosmetic products have unusual names such as Ace of Base and The Fill Monty. The company targets women who are looking for high quality make-up, such as lipstick and mascara. *Soap and Glory* competes against rival businesses such as *L'Oreal*.

(Source: adapted from <http://www.entrepreneur.com/article/222602> accessed on 28/11/14)

(a) *Soap and Glory* uses unusual names for its cosmetics, such as 'Ace of Base'. This is an example of:

Select **one** answer.

- A** stock control
- B** customer service
- C** quality control
- D** differentiation

(1)

(b) Outline **one** reason why *Soap and Glory* may decide to use product trials.

(2)

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Soap and Glory has a strong brand name in the cosmetics market.

(c) Explain **one** advantage to *Soap and Glory* of having a strong brand name. (3)

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Soap and Glory uses high levels of promotion to maintain its competitiveness.

(d) Describe how high levels of promotion could have a negative impact on *Soap and Glory*. (4)

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(Total for Question 2 = 10 marks)



3



Hornby plc produce model railway sets for adults and children. Demand for model railway sets is decreasing as children switch to different toys. *Hornby* has responded to this by launching a new range with more modern trains. The company has also reduced its reliance on retailers and now sells direct to customers through its website. Despite these changes, *Hornby* suffered negative cash flow during the last three months of 2013. Its debt also increased to £6.5 million.

(Source: adapted from <http://www.ft.com/cms/s/0/5d1f9dba-bf31-11e3-b924-00144feabdc0.html#axzz33JUT3rW3> and www.hornby.com accessed on 28/5/14)

(a) Which of the following is the **best** description of negative cash flow?

Select **one** answer.

- A Cash inflow exceeds cash outflow
- B Revenue is greater than costs
- C Cash outflow exceeds cash inflow
- D Costs are greater than revenue

(1)

(b) Identify **three** methods *Hornby* could use to improve its cash flow.

(3)

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(c) Explain **one** benefit to *Hornby* of using its website to sell direct to customers.

(3)

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(d) Explain **one** disadvantage to *Hornby* from having large amounts of debt.

(3)

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(Total for Question 3 = 10 marks)



dyson



Dyson manufacture vacuum cleaners, hand driers and fans. It has a reputation for producing high-quality innovative products. *Dyson's* most recent vacuum cleaner, the DC54, has a digital motor and requires no filter. This has allowed *Dyson* to manufacture vacuum cleaners which are lighter, smaller and more effective than its competitors, *Hoover* and *VAX*.

(Source: adapted from <http://www.dyson.co.uk/vacuum-cleaners/cylinder/dc54.aspx> accessed on 28/5/14)

Dyson has invested £50 million in a digital motor factory in Singapore. It funded this investment using external sources of finance.

(a) Which of the following is an external source of finance?

Select **one** answer.

- A Retained profit
- B Selling assets
- C Sales revenue
- D Share capital

(1)

The Singapore Government has given *Dyson* an export subsidy.

(b) Outline **one** possible impact on *Dyson* of the export subsidy.

(2)

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(c) Explain **one** benefit to *Dyson* from being able to manufacture 'lighter, smaller and more effective' vacuum cleaners.

(3)

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The product life cycle of a vacuum cleaner, such as the *DC54*, can be very short.

(d) In order to extend the product life cycle of its *DC54* vacuum cleaner, *Dyson* considered the following two options:

Option 1: Increase promotion

Option 2: Improve the product.

Which of these two options do you think would be more effective in allowing *Dyson* to extend the product life cycle of its *DC54* vacuum cleaner? Justify your answer.

(6)

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(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS



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SECTION B

Answer ALL the questions. You should spend 30 minutes on this section.
Read the following passage carefully and then answer questions 5 and 6.



Travelodge is the UK's second largest budget hotel group behind *Premier Inn*. Its hotel rooms sell for anything between £19 and £200 per night. In 2013, the company announced that it would spend £223 million to improve its existing hotels. The company used qualitative market research data from customers to help redesign its rooms. Each room now includes an improved work area and a more comfortable bed. Qualitative market research also highlighted the need for *Travelodge* to improve its customer service.

Travelodge plans to expand by opening a further 14 new hotels during 2013. Some of them will be constructed using recycled metal shipping containers. This method of construction was successfully used to build the 120-room Uxbridge *Travelodge*. This hotel was completed 60% faster and 10% cheaper compared to traditional methods of hotel construction. It is hoped that this method of construction could limit the impact of *Travelodge's* expansion on the environment.

(Source: adapted from <http://hotelandloyaltynews.com/travelodge-continues-roll-out-of-new-bedroom-design/> and <http://inhabitat.com/travelodge-shipping-container-hotel/> accessed on 28/5/14)

5 (a) What is meant by the term **qualitative market research**?

(2)

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(b) Identify **one** method *Travelodge* could use to improve its customer service.

(1)

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(c) Explain **one** impact on the environment of *Travelodge's* decision to build hotels using recycled materials.

(3)

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Travelodge pays its hotel managers a salary.

- (d) State **one** advantage and **one** disadvantage to *Travelodge* from its decision to remunerate its hotel managers using a salary. For each, explain the likely effect on *Travelodge*.

(8)

Advantage

Explanation

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Disadvantage

Explanation

(Total for Question 5 = 14 marks)

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6 In 2013, the Uxbridge *Travelodge* had a margin of safety of 1,400 rooms.

(a) What is meant by the term **margin of safety**?

(2)

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The Uxbridge *Travelodge* has annual fixed costs of £100 000. The selling price of a room is £50 per night and the variable cost of a room is £10 per night.

(b) (i) Calculate how many hotel rooms had to be sold in 2013 for the Uxbridge *Travelodge* to break-even. Show your workings and the formula used.

(3)

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During 2013, the Uxbridge *Travelodge* sold 3,900 rooms.

(ii) Calculate the profit of the hotel in 2013. Show your workings and the formula used.

(3)

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*(c) Assess the usefulness of break-even analysis to a hotel company, such as *Travelodge*.

(8)

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(Total for Question 6 = 16 marks)

TOTAL FOR SECTION B = 30 MARKS



SECTION C

Answer ALL questions. You should spend 20 minutes on this section.

Read the following passage carefully and then answer questions 7 to 10.



Zara is a clothing retailer owned by the Spanish company *Inditex*. *Zara* operates stores in almost every country in Europe, Asia and the Americas. *Zara* is unusual compared to its main competitors, *H&M* and *Gap*, in that it produces more than half of its own clothes. Rivals, such as *H&M*, own no factories, and *Zara* believes that controlling the process of making and selling clothing gives it a competitive edge. Having its own factories allows *Zara* to operate a Just in Time (JIT) method of stock control. This is because *Zara* can design a collection of clothes and produce them within five weeks, whereas competitors, who rely on independent suppliers, can take as long as nine months. *Zara* also re-supplies each of its stores twice a week and it estimates that an item of clothing rarely stays on its shelves for longer than one week. With fashion continually changing, *Zara* has the ability to quickly react to new trends.

In 2012, *Zara* was targeted by pressure group *Greenpeace* as part of its 'Detox your fashion' campaign. *Greenpeace* wanted clothing producers, such as *Zara*, to use environmentally friendly dyes during fabric production and improve the health and safety record in its factories. During the campaign the words '*Zara*' and '*Detox*' were mentioned on social media over 43,000 times.

(Source: © Greenpeace)

(Source: adapted from http://www.kellogg.northwestern.edu/course/opns430/modules/supply_chain_management/Zara.pdf and <http://www.greenpeace.org/international/en/news/features/Zara-commits-to-go-toxic-free/> accessed on 28/5/14)
<http://www.brentcross.co.uk/shops/fashion/zara>)

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7 What is meant by the term **pressure group**?

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(Total for Question 7 = 2 marks)

8 Outline **one** impact on *Zara* from improving the health and safety record in its factories.

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(Total for Question 8 = 2 marks)



***9** Discuss the benefits to *Zara* from improving its ethical behaviour.

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(Total for Question 9 = 6 marks)



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***10** Using your knowledge of business, assess the importance of Just In Time (JIT) stock control in helping *Zara* to remain competitive.

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(Total for Question 10 = 10 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 90 MARKS



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