

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCSE

Business Studies and Economics
Unit 5: Introduction to Economic Understanding

Friday 24 May 2013 – Morning
Time: 1 hour 30 minutes

Paper Reference
5BS05/01

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 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.
- Keep an eye on the time.
- 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. 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) Which **one** of the following best describes the term **international trade**? (1)

Select **one** answer.

Where there is:

- A** an increase in inflation in foreign countries
- B** buying and selling of goods and services between countries
- C** a change in interest rates in foreign countries
- D** a new shopping centre in London built by a British firm

(b) Outline **one** method of measuring the standard of living. (2)

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(c) What is meant by the term **exchange rate**? (2)

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(d) Explain **one** effect that a strengthening of the pound could have on UK businesses.

(3)

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(Total for Question 1 = 8 marks)



In February 2012 *Royal Bank of Scotland (RBS)* announced a loss of nearly £2 billion. This had an impact on the market share of *RBS*.

In the same month Stephen Hester, the Chief Executive of *RBS*, chose not to accept his annual bonus of £963 000. One reason for not accepting the bonus was pressure from some *RBS* stakeholder groups.

2 (a) Which **one** of the following best describes the term **market share**?

Select **one** answer.

(1)

- A** The percentage increase in the number of competitors in the market
- B** The number of markets a business operates in
- C** The number of *RBS* shares sold in the UK
- D** The percentage of total market sales made by one business

(b) Identify **two** stakeholder groups of *RBS*.

(2)

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(c) Describe the opportunity cost to *RBS* of paying Stephen Hester a bonus of £963 000.

(4)

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UK council workers have not had a pay increase for the last three years. This is known as a pay freeze. During the same period, inflation has increased by 4%.

(d) Explain **one** way that the council workers' pay freeze might be a problem for the UK economy.

(3)

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(Total for Question 2 = 10 marks)



Morrisons is the UK's fourth largest supermarket. In 2012 it grew by opening 25 new stores. Some of the growth was financed by a 7.3% increase in profit. This increase in profit was mainly due to the business changing its marketing mix.

3 (a) Which **one** of the following is a method of **external growth** for a business such as *Morrisons*? (1)

Select **one** answer.

When there is:

- A** an increase in government spending
- B** increased spending on research and development
- C** a merger with another business
- D** a rise in interest rates

(b) What is meant by the term **marketing mix**? (2)

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(c) Explain how **one** change in the marketing mix might achieve growth for *Morrisons*. (3)

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(d) Describe how the growth of *Morrisons* might be affected by an increase in interest rates.

(4)

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(Total for Question 3 = 10 marks)



Ryanair, an Irish airline, was founded in 1985. It has expanded rapidly and now operates over 280 aircraft. This has given the business the opportunity to take advantage of economies of scale.

Ryanair's competitiveness has improved as it charges low prices and flies to many destinations.

4 (a) Which **one** of the following best describes **economies of scale**? (1)

Select **one** answer.

Where:

- A** average costs fall as output rises
- B** total costs rise as output rises
- C** average costs rise as output rises
- D** total costs fall as output rises

(b) Identify **two** negative externalities associated with air travel. (2)

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(c) Explain **one** policy the government can use to reduce the negative externalities associated with air travel. (3)

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SECTION B

Answer ALL questions. You should spend 30 minutes on this section.

Read the following passage carefully and then answer questions 5 and 6.

Zambia is a Less Economically Developed Country (LEDC) in southern Africa. It is one of the world's poorest countries. Of those employed, 85% work in agriculture. Unemployment in Zambia is a serious problem.

Agriculture, copper mining and tourism account for most of Zambia's Gross Domestic Product (GDP). International trade has increased at an average of 15% a year over the last few years, largely as a result of the increased output of Zambia's copper industry.

- 5 (a) Identify and explain **one** benefit of international trade to Zambia.

Benefit

(1)

Explanation

(3)



(b) Identify and explain **one** cost of international trade for Zambia.

Cost

(1)

Explanation

(3)

(Total for Question 5 = 8 marks)



6 (a) Identify **one** factor that can cause economic growth in an LEDC such as Zambia. (1)

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(b) Explain how the factor you identified in (a) causes economic growth. (3)

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(Total for Question 6 = 4 marks)

*7 LEDCs such as Zambia can restrict free trade by imposing:

- tariffs
- non-tariff barriers.

In your opinion, which of these is **more likely** to help Zambia's economy?

Justify your answer.

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(Total for Question 7 = 8 marks)



Microsoft is a company based in the USA that develops and manufactures a wide range of computing products and services.

It spends over \$9 billion every year on Research and Development (R & D) – more than any other company.

It has been said that *Microsoft* has used its monopoly power in a way that is not in the public interest.

8 (a) Outline **one** disadvantage to *Microsoft* of spending \$9 billion a year on R & D.

(2)

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*(b) Assess the extent to which monopolies such as *Microsoft* are of benefit to society.

(8)

Area containing horizontal dotted lines for writing an answer to the question.

(Total for Question 8 = 10 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 9 to 11.

UK unemployment rose by 48 000 to 2.67 million in the three months to December 2011. The number of young people unemployed in the same period rose by 22 000 to 1.04 million.

Jobsite is a leading online recruitment site. It helps people find jobs by assisting them with their applications and linking them to employers in the UK. Individuals do not have to pay *Jobsite* for these services. *Jobsite's* main revenue comes from employers paying to place job advertisements on its website. *Jobsite* advertises on national television and sponsors *Portsmouth FC*, its local football club.

9 What is meant by the term **unemployment**?

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(Total for Question 9 = 2 marks)



10 Identify and explain **two** possible costs to society of high levels of unemployment amongst young people.

Cost 1

(1)

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Explanation

(3)

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Cost 2

(1)

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Explanation

(3)

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(Total for Question 10 = 8 marks)



***11** Using the evidence and your knowledge of economics and business, assess the extent to which revenue is the most important measure of success for businesses such as *Jobsite*.

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(Total for Question 11 = 10 marks)

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



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