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Edexcel GCSE

Centre Number

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Candidate Number

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Business Studies and Economics

Unit 5: Introduction to Economic Understanding

Friday 9 June 2017 – Afternoon

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.
- Try to answer every question.
- Check your answers if you have time at the end.

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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) What is an **interest rate**?

Select **one** answer.

(1)

- A** Goods and services bought from other countries
- B** The value of one currency in terms of another
- C** The use of taxation and spending to achieve government objectives
- D** The cost of borrowing money or the return received on savings

(b) Identify **one** element of the **marketing mix**.

(1)

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(c) Explain **one** example of a negative externality caused by business growth.

(3)

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(d) Explain **one** reason why the government might want to improve literacy rates.

(3)

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(Total for Question 1 = 8 marks)



2

In May 2015 economic growth in the Single European Market was predicted to be 1.5% over the next 12 months. This was higher than previously predicted. Reasons for the improved forecast included a weaker euro and lower business costs caused by a fall in the price of oil. Lower oil prices affected investment in non-renewable resources.

(a) Which **one** of the following is an example of a **non-renewable** resource?

Select **one** answer.

(1)

- A** Hydroelectricity
- B** Wind power
- C** Coal
- D** Solar energy

(b) What is meant by the **Single European Market**?

(2)

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(c) Explain **one** possible benefit to a business from a fall in the price of oil.

(3)

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(d) Describe how a weaker euro is likely to affect UK businesses.

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(Total for Question 2 = 10 marks)



3



Five Guys is a US burger chain that opened its first UK restaurant in July 2013. *Five Guys* is proud of the quality and taste of its burgers. It does not use frozen meat and all burgers are hand-made. *Five Guys* has opened 25 restaurants across the UK and plans further expansion in order to maximise its market power.

The price of a *Five Guys* burger is considerably more expensive in the UK than in other countries. The price of a standard *Five Guys* burger in New York is the equivalent of £4.07. The same burger in its London restaurants is priced at £6.75.

(Source: from <https://www.theguardian.com/business/2015/may/02/us-burger-chains-smashburger-shake-shack-five-guys-london> and © Christian Draghici/Shutterstock)

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

Select **one** answer.

- A The combination of product, price, promotion and place
- B The influence a business has over consumers and suppliers
- C The quantity sold by a business as a percentage of the total market
- D The amount of money consumers spend on goods and services

(1)

(b) Identify **three** ways in which *Five Guys* could increase its competitiveness.

(3)

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(c) Explain **one** way in which *Five Guys* could achieve economies of scale.

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(d) Explain **one** factor that could affect the price sensitivity of demand for *Five Guys'* burgers.

(3)

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(Total for Question 3 = 10 marks)



4

Evolve Health Club



Virgin Active is a market leader in the fitness industry. Most of its gyms are located on the outskirts of towns.

Evolve Health Club is a competitor of *Virgin Active*. Since *Evolve Health Club* opened in 2008 it has grown, but still has less market share than the market leaders. The business has followed a strategy of buying premises from failing high street stores in city centres and turning them into small gyms.

(Source: © Shutterstock)

(a) What is meant by the term **demand**?

Select **one** answer.

(1)

- A** The quantity of a good or service a consumer is willing and able to buy
- B** The amount of money required to purchase a good or service
- C** A good or service that a consumer views as essential
- D** The quantity of a good or service being manufactured

Evolve Health Club considers itself to be a socially responsible business.

(b) Outline **one** method *Evolve Health Club* could use to be more socially responsible.

(2)

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Evolve Health Club is considering a merger with *Real Gyms*, a smaller competitor.

(c) Explain **one** possible drawback for *Evolve Health Club* of a merger with *Real Gyms*.

(3)

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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.

In 2015, after its annual economic growth rate fell to 7%, the Chinese government decided to reduce import tariffs on some consumer goods. The slowdown in Chinese economic growth was caused by a decline in manufacturing and a fall in demand for housing.

Due to high import tariffs, Chinese consumers typically pay 20% more for luxury goods than European consumers. Some wealthy Chinese consumers also perceive foreign goods to be more desirable and of higher quality.

(Source: from uk-china-trade-tariffs-idUKKBN0NK0AD20150429)

- 5 (a) What is meant by the term **economic growth**? (2)

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- (b) Outline **one** factor that may have caused a fall in demand for housing in China. (2)

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(c) Explain **one** way Chinese businesses could encourage consumers in China to purchase goods made in their own country.

(3)

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(d) State **one** advantage and **one** disadvantage for China of reducing import tariffs on consumer goods. For each, explain the likely effect on China.

(8)

Advantage

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Explanation

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Disadvantage

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Explanation

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(Total for Question 5 = 15 marks)



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6 In 2013, 98 million Chinese tourists visited other countries. By 2020 this figure is predicted to rise to 200 million. The growth in the number of Chinese tourists is expected to lead to an increase in investment by the UK tourist industry.

(a) What is meant by the term **investment**?

(2)

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(b) Outline **one** benefit to the UK economy of the expected increase in investment in the tourist industry.

(2)

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(c) Explain **one** method that could be used to regulate the UK tourist industry.

(3)

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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.



In 2003 *Lego* faced a crisis with fierce competition from hi-tech gadgets and fears that people no longer wanted to play with plastic building bricks. *Lego* also faced competition from *Mega Bloks*, a Canadian company that makes a similar product.

Over the last 10 years, following a number of changes, *Lego* experienced an increase in sales. Productivity rose and the business achieved profits of £800 million in 2012. The following year, *Lego* became the world's largest toy manufacturer. *Lego* believed its improved performance was due to innovation and the creation of more than 60 new products every year, such as the *Lego* Ninjago range. *Lego* has also expanded into new markets, such as video games and in 2014 it produced *The Lego Movie*.

Lego plans to expand further into foreign markets where incomes are growing. *Lego* has opened offices in Malaysia and China. Although *Lego* remains an expensive toy, the company believes that as countries become wealthier the ability to buy *Lego* will increase.

(Source: © 2016 Guardian News and Media Limited)

7 What is meant by the term **productivity**?

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(Total for Question 7 = 2 marks)



10 Using your knowledge of business and economics, assess the extent to which the growth of *Lego* will benefit customers.

(10)

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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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