Write your name here
Surname
Other names
Total Marks
Paper Reference

Pearson
Edexcel GCSE

Business Studies (Short Course)
Unit 6: Introduction to Small Business

Wednesday 24 May 2017 – Morning
Time: 45 minutes

You do not need any other materials.
A calculator may be used.

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.
• 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.

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.
1  Stakeholders have an interest in the success of a business.
   All stakeholders:
   Select one answer.
   □  A  invest money in the business
   □  B  work for the business
   □  C  have a share of the profit
   □  D  have different objectives

   (Total for Question 1 = 1 mark)

2  Jason runs a business called Prom Motors. He has seen his business expand over recent years and has employed more drivers. Jason explained his vision for the future of Prom Motors at a meeting with the drivers.

2  Which one of the following entrepreneurial qualities did Jason demonstrate by explaining his vision?
   Select one answer.
   □  A  Willingness to take risks
   □  B  Being lucky
   □  C  Independence
   □  D  Leadership

   (Total for Question 2 = 1 mark)
Questions 3 and 4 are based on the scenario below.

*Petals Ltd* is a flower shop in Doncaster. Every day Megan, the owner, displays flowers in front of her shop.

3 Which two of the following are her reasons for doing this?
Select two answers.

- [ ] A Increase variable costs
- [ ] B Raise customer awareness of products
- [ ] C Differentiate her business
- [ ] D Improve the motivation of her workers
- [ ] E Attract venture capital

(Total for Question 3 = 2 marks)

4 Which two of the following are reasons why Megan set up *Petals Ltd* as a private limited company?

Megan:
Select two answers.

- [ ] A would have unlimited liability
- [ ] B could protect her personal possessions
- [ ] C could guarantee that the business would make a profit
- [ ] D would only lose the amount she invested if the business fails
- [ ] E could raise money on the stock exchange

(Total for Question 4 = 2 marks)
Questions 5–8 are based on the scenario below.

Raj and Abdul run a business called Party Goers Ltd, selling a range of party products in London. Before the business opened they carried out primary market research.

5 Which two of the following are examples of primary market research?

Select two answers.

☐ A Published government statistics
☐ B Magazine articles
☐ C Focus group meeting
☐ D Interviews with competitors
☐ E Internet research

(Total for Question 5 = 2 marks)

6 Raj and Abdul have set some objectives for Party Goers Ltd.

Which one of the following is a non-financial objective?

Select one answer.

☐ A Revenue maximisation
☐ B Personal satisfaction
☐ C Profit maximisation
☐ D Improve cash flow

(Total for Question 6 = 1 mark)

7 Raj and Abdul want to increase the added value of their products.

What is meant by added value?

Select one answer.

☐ A The difference between what a business pays its employees and what it receives from selling its products
☐ B Variable costs minus price
☐ C The difference between what a business pays its suppliers and what it receives from selling its products
☐ D Price minus total cost

(Total for Question 7 = 1 mark)
Party Goers Ltd has been successful. Raj and Abdul are keen to expand the business by opening another shop. To do this they will use long-term sources of finance.

8 Which **two** of the following are examples of long-term sources of finance?

Select **two** answers.

- A Venture capital
- B Sales revenue
- C Profit
- D Overdraft
- E Trade credit

*(Total for Question 8 = 2 marks)*

CakesRU is a UK business that imports cake mixes from the USA. On average it imports approximately 2,000 mixes each month. Each mix costs $3.

Last year the exchange rate between the British pound and the US dollar was £1 = $1.77, and this year it is £1 = $1.55.

9 Identify **two** effects on CakesRU of this change in the exchange rate.

Select **two** answers.

- A The cost of buying the cake mixes from the USA will rise
- B Lower variable costs of cake mixes from the USA
- C Increased imports of cake mixes from the USA
- D Lower profit on each sale if the UK price does not change
- E Increased demand for its cake mixes in the UK

*(Total for Question 9 = 2 marks)*
Lee Hughes is an enthusiastic fisherman. He decided to set up his own business operating daily fishing trips in the Lake District. He called the business *Lake District Expeditions*. The business is very busy during the summer. The price of a fishing trip is £500 per day and this includes the use of fishing equipment, fishing lessons and a picnic hamper. Lee hires the fishing equipment from a local shop.

10 Fill in the three blanks for *Lake District Expeditions*’ revenue and costs below.

<table>
<thead>
<tr>
<th></th>
<th>July</th>
<th>August</th>
<th>September</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>Equipment Hire</strong></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>Picnic Hampers</strong></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>Fuel</strong></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>Fixed Costs</strong></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>Number of Trips</strong></td>
<td></td>
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</tbody>
</table>

(Total for Question 10 = 3 marks)

Lee is considering operating his business in a different location when the summer is over. He has produced a cash flow forecast to include in his business plan for a loan.

11 Which two of the following might be the reasons why Lee produced a cash flow forecast?

Select two answers.

- **A** It is a legal requirement that a business should have a cash flow forecast
- **B** It can help a bank decide whether it should lend money to a business
- **C** A cash flow forecast ensures that the business will be successful
- **D** Cash flow forecasts can reduce the risk of business failure
- **E** To identify the cash inflows over the last six months

(Total for Question 11 = 2 marks)
Lee has chosen another location for his business 100 miles north of the Lake District.

12 Which two of the following would be important for Lee in deciding where to locate the new business?

Select two answers.

- A Lots of competitors in the area
- B Availability of fishing equipment hire shops
- C Near to lakes and rivers
- D Close to fishing equipment manufacturers
- E Access to the Internet

(Total for Question 12 = 2 marks)

13 Which one of the following best defines the term innovation?

Select one answer.

- A Identifying a gap in the market for developing a new product
- B Spending money on the purchase of replacement equipment
- C Transforming new ideas into products that can be marketed
- D Applying for a patent on a recently developed new product

(Total for Question 13 = 1 mark)

14 Which one of the following is a tax on the profit made by a private limited company in the UK?

Select one answer.

- A Value Added Tax
- B Distribution Tax
- C Income Tax
- D Corporation Tax

(Total for Question 14 = 1 mark)
Questions 15–17 are based on the scenario below.

*FJP Ltd* manufactures high-quality office chairs. The chart below shows financial information for *FJP Ltd* in 2016.

### Financial information for *FJP Ltd* 2016

<table>
<thead>
<tr>
<th></th>
<th>£500 000</th>
<th>£450 000</th>
<th>£400 000</th>
<th>£350 000</th>
<th>£300 000</th>
<th>£250 000</th>
<th>£200 000</th>
<th>£150 000</th>
<th>£100 000</th>
<th>£50 000</th>
<th>£0</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Costs</strong></td>
<td>£115 000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Variable Costs</strong></td>
<td></td>
<td>£425 000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td>£465 000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

15 Which **two** conclusions can be drawn from the bar chart?

In 2016 *FJP Ltd*:

Select **two** answers.

- [ ] A  made a loss of £75 000
- [ ] B  made a profit of £60 000
- [ ] C  made a loss of £310 000
- [ ] D  had a cash inflow of £370 000
- [ ] E  had total costs of £540 000

*(Total for Question 15 = 2 marks)*
16 What would be the main reason for FJP Ltd to produce high-quality office chairs?

To provide:

Select one answer.

A tax revenue for the government
B goods that meet the needs of customers
C orders for suppliers
D jobs for the local community

(Total for Question 16 = 1 mark)

The graph below shows the interest rate the bank charged on FJP Ltd’s overdraft between 2008 and 2015.

17 Identify the two likely effects on FJP Ltd of the changes in the interest rate shown in the graph.

Select two answers.

A Reduced fixed costs
B Increased risk of insolvency
C Lower variable costs
D Improved net cash flow
E Lower cash inflow

(Total for Question 17 = 2 marks)
Which one of the following is an example of a lateral thinking technique?

Select one answer.

- A  Producing a business plan
- B  Providing a range of products
- C  Collecting market research information
- D  Creating a mind map

(Total for Question 18 = 1 mark)
Match the term on the left with the correct definition on the right. The first one has been done for you.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>i</td>
<td>Market segment A Enables customers to recognise a business in its market place.</td>
</tr>
<tr>
<td>ii</td>
<td>Market map B The total revenue received from sales over a period of time.</td>
</tr>
<tr>
<td>iii</td>
<td>Person specification C Involves taking risks, showing initiative and a willingness to undertake new ventures.</td>
</tr>
<tr>
<td>iv</td>
<td>Unique trading name D A document outlining the responsibilities and duties expected to be carried out by someone.</td>
</tr>
<tr>
<td>v</td>
<td>Net cash flow E Weighing up the probability of profit or loss.</td>
</tr>
<tr>
<td>vi</td>
<td>Calculated risk F A visual means of showing where a product is positioned in a market.</td>
</tr>
</tbody>
</table>

G A group of customers with similar characteristics.

H The difference between cash inflows and cash outflows over a period of time.

I A document outlining the skills and qualities needed by a job applicant.

(i) ☑
(ii) ..........
(iii) ..........
(iv) ..........
(v) ..........
(vi) ..........

(Total for Question 19 = 5 marks)
Alison runs a small business making individually designed cakes. She is very keen to expand her business by offering baskets of fresh fruit as an alternative for customers. However, this may cause problems as she needs to keep the fruit fresh for deliveries. She is concerned about complaints she may receive that the fruit is not fresh.

*20 Which of the following options do you think Alison should choose if she received such a complaint?

Justify your choice.

Option chosen (cross one box only)

☐ Give the customer back what they paid for the fruit basket

☐ Replace the fruit basket and offer free delivery

(Total for Question 20 = 6 marks)

TOTAL FOR PAPER = 40 MARKS