

Write your name here

Surname

Other names

Centre Number

Candidate Number

**Edexcel GCSE**

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

Friday 28 May 2010 – Afternoon  
**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** the 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.
- Keep an eye on the time.
- Try to answer every question.
- Check your answers if you have time at the end.

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**Answer ALL the questions**

**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** Enterprise involves which **one** of the following?

Select **one** answer.

- A  A lack of ideas.
- B  Only providing a service.
- C  A willingness to take risks.
- D  Poor planning.

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

**2** Which **two** of the following are examples of variable costs for a small manufacturing business?

Select **two** answers.

Payment for:

- A  rent of the business premises
- B  insurance payments
- C  raw materials used in production
- D  advertising costs
- E  packaging of the finished products.

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

**3** Which **three** of the following documents are used in the recruitment process?

Select **three** answers.

- A  Job Description.
- B  Business Plan.
- C  Person Description.
- D  Job Advert.
- E  Application Form.
- F  Cash Flow Forecast.

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



- 4 The following table shows the costs, revenues and profits for a business for the first three months of the year.

Fill in the **five blanks** to complete the table.

	January	February	March	
Total receipts	£24 000		£32 000	(1)
Fixed costs	£3 000		£3 000	(1)
Variable costs	£6 000	£7 500		(1)
Total costs	£9 000	£10 500		(1)
Profit		£19 500	£21 000	(1)

(Total for Question 4 = 5 marks)

Read the information below carefully and then answer questions 5 and 6 which relate to the information.

A business has the following cash flow information for one particular month:

Opening balance:	£5 000
Cash inflow:	£7 000
Cash outflow:	£14 000

- 5 What is the **net cash flow** for the business at the end of this month?

Select **one** answer.

- A  -£16 000  
B  -£7 000  
C  £12 000  
D  £26 000

(Total for Question 5 = 1 mark)

- 6 What is the **closing balance** at the end of this month?

Select **one** answer.

- A  -£12 000  
B  -£2 000  
C  £9 000  
D  £16 000

(Total for Question 6 = 1 mark)



Please read the passage below carefully and then answer questions 7 to 10 which all relate to the passage.

Sonia Fletcher was fed up with taking orders from other people at work. She wanted personal satisfaction and financial security so decided to set up as a sole trader selling cakes made from organic ingredients. After a successful 18 months trading from a market stall she wanted to expand the business. Sonia needed to raise £25 000 to rent a shop and buy equipment.

7 Which **three** of the following are the **most likely** reasons why Sonia decided to set up as a sole trader?

Select **three** answers.

- A  She will benefit from limited liability.
- B  She could raise finance from selling shares.
- C  To have greater control within the business.
- D  She would take all of the profits.
- E  She would have the ability to make her own decisions.
- F  It would involve greater risk.

(Total for Question 7 = 3 marks)

8 As a sole trader, which **three** of the following are long-term sources of finance for Sonia?

Select **three** answers.

- A  Profit.
- B  Overdraft.
- C  Bank loan.
- D  Trade credit.
- E  Share capital.
- F  Personal savings.

(Total for Question 8 = 3 marks)



9 Which **one** of the following is an example of a **calculated risk** for Sonia's business?

Select **one** answer.

- A  Sonia's costs had risen by 30% in the past 6 months.
- B  Sonia has calculated her yearly income tax as £795.
- C  There is an 80:20 chance of Sonia's business failing.
- D  Sonia has estimated that demand will rise by 10% over the next 6 months.

(Total for Question 9 = 1 mark)

10 During Sonia's first year of trading, interest rates increased from 3% to 5%. Identify **three** possible effects of this change on the business.

Select **three** answers.

- A  A reduction in fixed costs due to lower repayments on her overdraft.
- B  A worsening net cash flow position.
- C  A rise in sales due to higher levels of consumer spending.
- D  A greater chance of rivals entering the market.
- E  A fall in sales due to lower levels of consumer spending.
- F  An increase in fixed costs due to higher repayments on her overdraft.

(Total for Question 10 = 3 marks)



Please read the passage below carefully and then answer questions 11 and 12 which relate to the passage.

Sam Martinez is a driving instructor. Two years ago, he decided to set up on his own and researched being a sole trader or buying into a franchise. He decided to become a sole trader. Sam operates in a highly competitive market. He provides his customers with a computer print-out record at the end of each lesson, which highlights where the learner needs to improve. He also charges a price lower than his rivals for each lesson.

11 Which **two** of the following methods are most likely to give Sam a competitive advantage?

Select **two** answers.

- A  Providing high quality tuition.
- B  Operating as a sole trader.
- C  Providing a personalised service.
- D  Operating in a competitive market.
- E  Providing a service for the community.

(Total for Question 11 = 2 marks)

12 Which **two** of the following would have been possible advantages to Sam if he had decided to buy into a franchise?

Select **two** answers.

- A  He would not have to pay any tax.
- B  He would have no stakeholders.
- C  Customer service would not be so important.
- D  A recognised brand name.
- E  Access to help and advice when running his business.

(Total for Question 12 = 2 marks)



Please read the passage below carefully and then answer questions 13 to 16 which all relate to the passage.

Vakas Shah was fed up with having his bicycle stolen; three times in the last year! He used his engineering background to develop 'CycleSecure', a lightweight but strong cable which secured the wheels and the frame of the bicycle. The design made it very difficult for anyone to steal a bicycle. Vakas hoped that his invention would be of interest to bicycle manufacturers. There were few similar products like this on the market.

13 Which **one** of the following **best** describes the term 'invention'?

Select **one** answer.

- A  Identifying new products and new ways of making products.
- B  Identifying a gap in a market for a new product.
- C  New business ideas which are profitable.
- D  The process of transforming new ideas into products that can be sold.

(Total for Question 13 = 1 mark)

14 Vakas needed to think creatively to produce CycleSecure. Why is thinking creatively important?

Select **one** answer.

It is important because it:

- A  avoids having to ask the 'what if?' question
- B  increases the calculated risk
- C  generates competitive advantage
- D  avoids the need for lateral thinking.

(Total for Question 14 = 1 mark)

15 Vakas decided to protect his idea by use of a patent. What is **one** possible benefit of a patent to Vakas?

Select **one** answer.

- A  Prevents another business from using his brand name.
- B  Provides the right of ownership of an invention or process.
- C  Is an insurance policy which provides protection from financial loss.
- D  Ensures he will not make a loss for 20 years.

(Total for Question 15 = 1 mark)



**16** Which **two** of the following were **most important** for Vakas in spotting a new business opportunity?

Select **two** answers.

- A  Being able to produce his product cheaply.
- B  Recognising a need in the market-place.
- C  Being a keen cyclist.
- D  Knowing who his possible competitors were.
- E  Having a large amount of personal savings.

(Total for Question 16 = 2 marks)

**Read the information below and answer questions 17 to 19.**

Charles Mitchell imports high quality pasta from Northern Italy for sale at his delicatessen in Suffolk. The exchange rate between the pound (£) and the euro (€) is important for Charles.

He buys 100 kg of pasta every month. The price of pasta is €5 per kg.

**17** In April, the exchange rate is £1.00 = €1.25. How much does Charles have to pay to buy his pasta?

Select **one** answer.

- A  £625
- B  £500
- C  £400
- D  £250

(Total for Question 17 = 1 mark)

**18** In May the exchange rate changed to £1.00 = €1.20. What effect would this have on Charles's business?

Select **one** answer.

- A  The cost of importing pasta from Italy stays the same.
- B  His net cash flow will improve.
- C  The euro price of pasta will rise.
- D  His import costs will rise.

(Total for Question 18 = 1 mark)



**19** Pasta is made from wheat. In 2009, good weather led to a large increase in the wheat harvest.

Which of the following is the most likely effect of this increase?

Select **one** answer.

- A**  The price of wheat will fall.
- B**  Charles will have to pay more for his pasta.
- C**  The cost of wheat will rise.
- D**  The demand for wheat will fall.

**(Total for Question 19 = 1 mark)**

**20** Match the definition on the left with the correct term on the right. Select the definition and then the term. There is only one correct term for each definition.

Show your answers by drawing a line from the definition on the left to the matching term on the right. If you change your mind about an answer, cross the line out and draw a new line to mark your new answer.

Definition	
Information about opinions, judgements and attitudes	i
Goods or services sold to foreign buyers	ii
Part of a market that contains a group of buyers with similar buying habits	iii
Raw materials such as coal, oil, copper, iron ore and wheat	iv
The way in which a business sets out the key features of its market	v

Term	
a	Quantitative data
b	Imports
c	Market map
d	Exports
e	Qualitative data
f	Market segment
g	Commodities
h	Marketing mix

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

**TOTAL FOR PAPER = 40 MARKS**



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