Pearson Edexcel Level 1/Level 2 GCSE (9–1)

Time 1 hour 30 minutes | **Paper reference** | **1BS0/01**

Business

PAPER 1: Investigating small business

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*.
- Calculators may be used.
- You are advised to **show all your working out** with **your answer clearly identified** at the **end of your solution**.

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*.

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 ▶

Answer ALL questions. Write your answers in the spaces provided.

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 is an example of a variable cost?

(1)

Select **one** answer.

☒ **A** Insurance

☒ **B** Packaging

☒ **C** Rent

☒ **D** Salaries

(b) Which **one** of the following could be used to identify a market segment?

(1)

Select **one** answer.

☒ **A** Demographics

☒ **B** Inflation

☒ **C** Marketing mix

☒ **D** Revenue

(c) Explain **one** risk for an entrepreneur when starting a new business.

(3)

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(d) Explain **one** way a small business could add value to a product.

(3)

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(Total for Question 1 = 8 marks)

2 (a) Which **two** of the following are examples of a service?

(2)

Select **two** answers.

☒ **A** Birthday cake

☒ **B** Fitness class

☒ **C** Mobile phone

☒ **D** Newspaper

☒ **E** Train journey

(b) Which **two** of the following are examples of cash inflows?

(2)

Select **two** answers.

☒ **A** Bank loan

☒ **B** Insurance

☒ **C** Raw materials

☒ **D** Receipts

☒ **E** Wages

Table 1 contains information about a small business for one month.

Number of sales	2,700
Variable costs (per unit)	£6
Sales price (per unit)	£20
Break even level of output	1,500

Table 1

(c) Using the information in Table 1, calculate the margin of safety. You are advised to show your workings.

(2)

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P 6 5 5 6 1 A 0 4 2 4

(d) Explain **one** disadvantage to a small business of using an overdraft as a source of business finance.

(3)

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(e) Explain **one** impact on a small business of an increase in unemployment.

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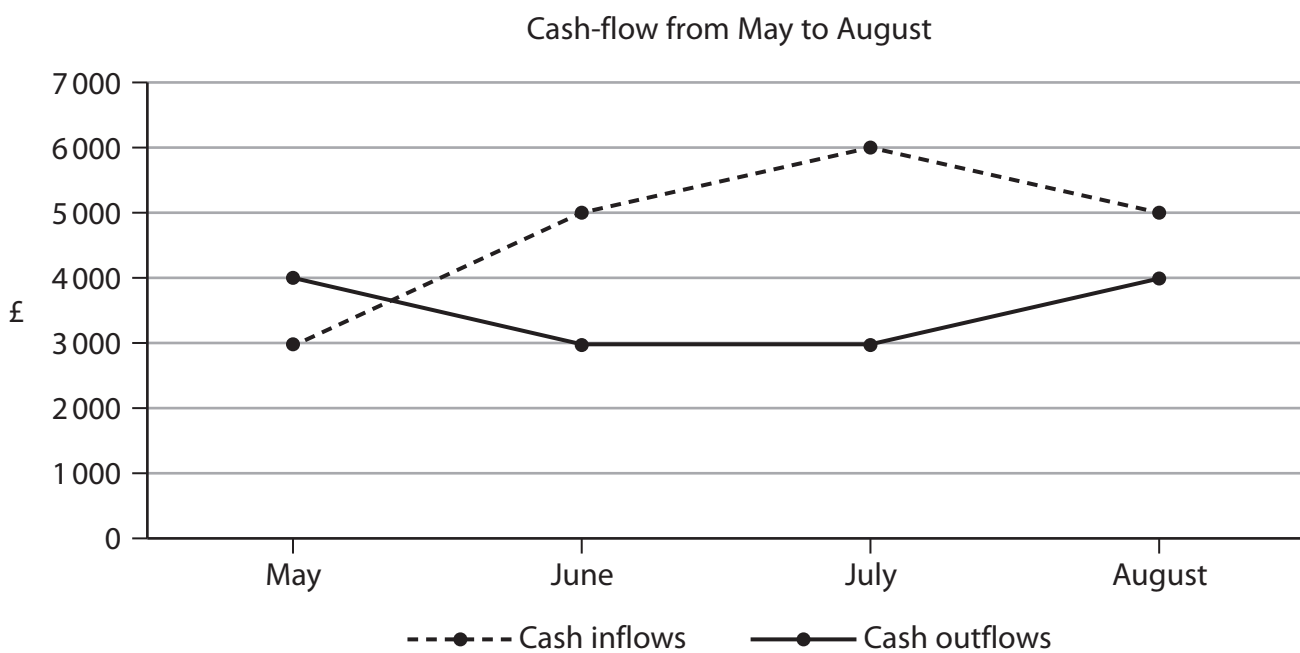
(Total for Question 2 = 12 marks)

3 (a) Which **one** of the following is a definition of insolvency?

(1)

Select **one** answer.

☒ **A** A product becoming obsolete

☒ **B** Business failure due to unpaid debts

☒ **C** Generating high levels of revenue

☒ **D** Understanding the business environment

Figure 1 shows the cash-flow of a business from May to August.

Cash-flow from May to August

Figure 1

(b) Using the information in Figure 1, calculate the total net cash-flow from May to August. You are advised to show your workings.

(2)

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(c) Explain **one** way a small business could reduce its variable costs.

(3)

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(d) Explain **one** advantage to a small business of meeting all employment legislation.

(3)

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(e) Discuss how possible conflicts between owners and employees could affect the profit of a small business.

(6)

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(Total for Question 3 = 15 marks)

TOTAL FOR SECTION A = 35 MARKS

SECTION B

Answer ALL questions.

Read the following extract before answering Questions 4, 5 and 6.

Write your answers in the spaces provided.

Little Movers is a business that offers preschool dance and movement classes. It also specialises in themed birthday parties and provides workshops in many local authority children centres. The business was founded in 2007 by Melanie Buck and within weeks of opening hundreds of families were attending the classes.

Little Movers exceeded Melanie's expectations. She struggled to keep up with the demands of running the business and her commitment to being a mother of two young children. Melanie originally started *Little Movers* as she felt she could run the classes whilst her children were at school. This independence would also help her achieve a key objective of enjoying all of the school holidays with her own children.

To keep up with the high levels of demand Melanie decided to expand her business through franchising. As a franchisor she believed that she could offer a proven business formula together with a wide range of support to franchisees. This included use of the *Little Movers* brand, being the only *Little Movers* franchise in a particular area, full training and a centralised online booking system. Franchisees also receive lesson plans each month for the classes.

This approach proved to be highly successful. *Little Movers* now has franchises throughout the North of England and has recently had enquiries to open franchises in Poland and Dubai.

(Source: adapted from http://www.littlemovers.net/our-classes)

4 (a) Outline **one** factor that may influence the location of a *Little Movers* franchise.

(2)

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(b) Analyse the impact on an entrepreneur of being a *Little Movers* franchisee.

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(Total for Question 4 = 8 marks)

P 6 5 5 6 1 A 0 1 1 2 4

5 When starting the business in 2007, Melanie took out a loan. The financial details of this loan are in Table 2.

Loan required from the bank	£10 000
Total repayments for loan	£11 100
Length of loan	3 years

Table 2

(a) Using the information in Table 2, calculate the interest on the loan as a percentage of the total amount borrowed. You are advised to show your workings.

(2)

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(b) Using the information in Table 2, calculate, to 2 decimal places, the monthly repayments for the loan. You are advised to show your workings.

(2)

(c) Analyse the impact on *Little Movers* of having a strong brand.

(6)

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(Total for Question 5 = 10 marks)

6 (a) State **one** non-financial aim that Melanie may have had when starting *Little Movers*.

(1)

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(b) Outline **one** benefit to *Little Movers* of having an online booking system.

(2)

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P6 5 5 6 1 A 0 1 4 2 4

Little Movers is considering two options to carry out market research for possible new franchises in Poland:

Option 1: internet research to identify competitors in Poland

Option 2: conducting focus groups with parents living in Poland.

(c) Justify which **one** of these two options *Little Movers* should choose.

(9)

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(Total for Question 6 = 12 marks)

TOTAL FOR SECTION B = 30 MARKS

Digital Allies is a private limited company. It supports clients to create marketing materials that can be used in a wide range of digital communications. This includes online advertising, web design, and digital data analysis to ensure clients are getting the most from their digital communications. It also offers training to businesses on how they could use social media and digital communication to improve their marketing.

The use of social media is something *Digital Allies* believes is becoming a major influence on how customers interact with businesses. It manages marketing campaigns across Facebook, Twitter, Instagram, Snapchat and LinkedIn. This allows its clients to target a wide range of consumers and to analyse these communications on social media to give businesses a competitive advantage over their rivals.

In February 2019, *Digital Allies* announced a three-year expansion plan which involved doubling its workforce to 40 employees and moving to new offices. The business believed that this move would allow it to employ people with the most up-to-date knowledge and to become one of the main digital marketing companies in the UK.
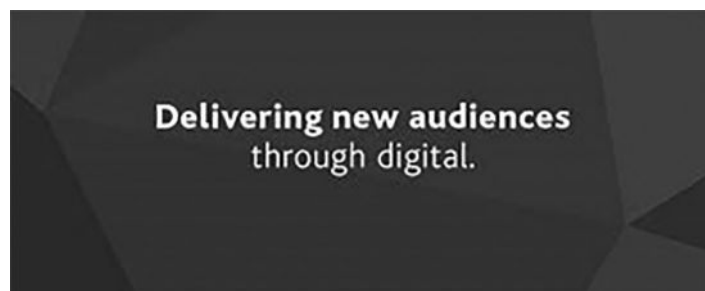
(Source: adapted from https://digitalallies.co.uk)

7 (a) State **one** source of revenue for *Digital Allies*.

(1)

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Figure 2 shows the number of social media accounts in the UK in 2019.

Number of social media accounts (millions)
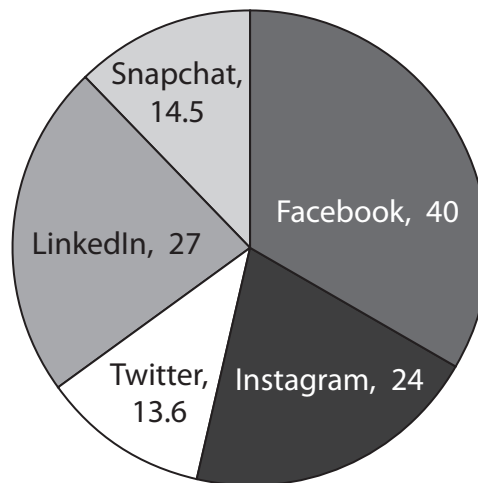
Figure 2

(Source: adapted from https://www.avocadosocial.com/latest-social-media-statistics-and-demographics-for-the-uk-in-2019/)

(b) Using the information in Figure 2, identify which social media platform was the second largest in the UK in 2019.

(1)

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(c) Outline **one** impact on the owners of *Digital Allies* from being a private limited company.

(2)

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In order to help improve digital marketing for a local university, *Digital Allies* is considering two options:

Option 1: improve the design of the university website

Option 2: design a social media campaign to target new students.

(d) Justify which **one** of these two options *Digital Allies* should choose.

(9)

P 6 5 5 6 1 A 0 2 1 2 4

(e) Evaluate the impact that changes in technology may have on *Digital Allies*.
You should use the information provided as well as your knowledge of business.

(12)

(Total for Question 7 = 25 marks)

TOTAL FOR SECTION C = 25 MARKS
TOTAL FOR PAPER = 90 MARKS

P 6 5 5 6 1 A 0 2 3 2 4

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