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Surname

Other names

Pearson
Edexcel GCSE

Centre Number

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Candidate Number

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Business Studies

Unit 3: Building a Business

Monday 2 June 2014 – Morning

Time: 1 hour 30 minutes

Paper Reference

5BS03/01

You may use a calculator.

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.*

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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6/6/3/3/1/2/3



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 Piece rates are one method a business can use to remunerate employees.

(a) Piece rates are paid according to how many:

Select **one** answer.

(1)

- A years a worker has been employed for
- B hours a worker is employed for
- C employees a worker is responsible for
- D products a worker produces

Other methods of remuneration include salaries and commission.

(b) What is meant by the term **salary**?

(2)

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(c) (i) Identify **two** examples of fringe benefits.

(2)

1

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2

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(ii) Explain **one** possible effect on a business of providing fringe benefits for workers.

(3)

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(Total for Question 1 = 8 marks)



2

Potato crisp manufacturer *Tyrells* have launched a new brand of crisps called *Tyrells Furrows*. The crisps are wave shaped and have ridges which are designed to make the crisps crunchier.

Before launching its new range of crisps, *Tyrells* carried out market research.

(a) Which one of the following is an example of quantitative market research?

Select **one** answer.

(1)

- A** Consumer opinions on the taste of the new crisps
- B** Figures showing the growth rate of the UK crisp market
- C** Verbal feedback from retailers on the packaging of the crisps
- D** A magazine article describing the launch of the new brand

(b) Outline **one** way that *Tyrells* could increase repeat purchase of its crisps.

(2)

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(c) Explain **one** reason why branding is important to *Tyrells*.

(3)

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Tyrells Furrows are currently in the introduction phase of the product life cycle.

(d) Describe how *Tyrells*' cash flow is likely to change as *Tyrells Furrows* move from the introduction to maturity phase of the product life cycle.

(4)

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(Total for Question 2 = 10 marks)



3

Kentucky Fried Chicken (KFC) has launched a new breakfast menu in 18 of its outlets. It wanted to increase sales at the expense of rival fast food chains *McDonald's* and *Burger King*.

(a) *KFC's* decision to launch its new breakfast menu in 18 of its outlets is an example of:

Select **one** answer.

(1)

- A** customer loyalty
- B** product trial
- C** market research
- D** branding

(b) Identify **two** methods *KFC* might use to differentiate itself from rival fast food chains.

(2)

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(c) Explain **one** reason why it might be difficult for *KFC* to increase its sales in the breakfast market.

(3)

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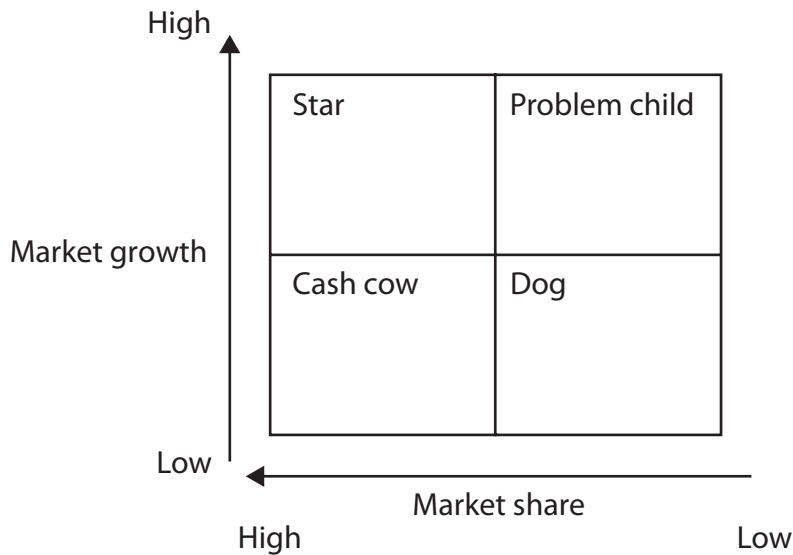


Market research by *KFC* identified that the market for fast food breakfasts was growing. However, it was unsure whether its new breakfast menu would be successful.

- (d) (i) On the diagram below identify the element of the Boston Matrix in which *KFC*'s breakfast products were positioned when launched.

Place a cross in the correct box.

(1)



KFC provides a range of different products, including its breakfast menu, as part of its product portfolio.

- (ii) Explain **one** benefit to *KFC* of managing its product portfolio effectively.

(3)

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(Total for Question 3 = 10 marks)



4

Portakabin Limited manufacture portable buildings that are used for a variety of purposes including temporary classrooms in schools, offices, doctors' surgeries and toilets. They can be erected much faster than traditional buildings. Since the 1980s *Portakabin Limited* has focused on 'Just In Time' stock control and recycling. Each *Portakabin*® building produced is now 96% recyclable.



(Source: © Copyright Portakabin Limited)

(a) Which **one** of the following will improve *Portakabin Limited's* cash flow?

Select **one** answer.

(1)

- A** Raising wages
- B** Allowing customers longer to pay in cash
- C** Paying suppliers in cash more quickly
- D** De-stocking

(b) Identify **two** reasons why *Portakabin Limited* might want to focus on recycling.

(2)

1

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2

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(c) Explain **one** drawback to *Portakabin Limited* of using a 'Just In Time' method of stock control.

(3)

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Portakabin Limited's slogan is 'quality this time, next time, every time.'

Improving the quality of a product and reducing costs are two ways in which a business like *Portakabin Limited* might become more competitive.

(d) Which of these two methods do you think would be more effective in allowing *Portakabin Limited* to improve its competitiveness? Justify your answer.

(6)

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(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS



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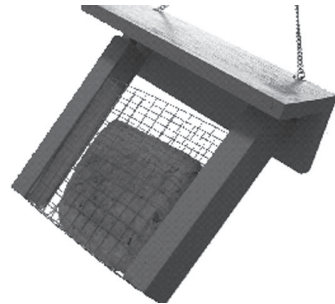
SECTION B

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

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

ecovation

innovation. application. conservation.



Ecovation Ltd is a new company run by Edward and Michael. It manufactures birdfeeders in an environmentally friendly way. The wood that is used comes from sustainable sources and the birdfeeders are painted in a coating that does not damage the environment.

The company has raised £2 000 of share capital and this has allowed it to cover its fixed costs and make 400 birdfeeders per month. It sells its birdfeeders at a price of £8 each.

Edward and Michael intend to contract freelance sales teams to sell the product. They hope that freelancers will be more motivated than the sales people that they currently employ.

In the long-term Edward and Michael intend to expand the business, but are unsure whether they should raise more share capital or use debt.

(Source: adapted from www.ecovation.org)

5 (a) What is meant by the term **profit**?

(2)

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(b) *Ecovation's* monthly fixed costs are £930, and variable costs are £1.80 per birdfeeder.

- (i) Calculate the break-even point when each birdfeeder is priced at £8. Show your workings and the formula used.

(3)

- (ii) Calculate the profit or loss that *Ecovation* will make if it sells its entire stock of 400 birdfeeders in one month. Show your workings and the formula used.

(3)



(c) State **one** advantage and **one** disadvantage to *Ecovation* of trying to minimise its impact on the environment.

For each, explain the effect on the business.

Advantage

(1)

Explanation

(3)

Disadvantage

(1)

Explanation

(3)

(Total for Question 5 = 16 marks)



6 (a) What is meant by the term **share capital**?

(2)

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(b) Identify **one** internal source of finance a business could use to fund its growth.

(1)

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(c) Explain **one** drawback to *Ecovation* of using debt as a way of financing its growth.

(3)

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SECTION C FOLLOWS ON THE NEXT PAGE.



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.



Primark is the largest retailer of clothes in the UK, with a market share of almost 18%. This means that for every £5 spent on clothes in the UK, almost £1 of that total is spent in *Primark*.

Primark's success has resulted from its 'low cost' strategy. This is where cheap clothes are made, usually in low cost locations such as China and India, and then imported to the UK. Despite European Union (EU) import protection controls, *Primark* can still sell the clothes at very low prices. With consumer confidence low there has been an increased demand for clothes which offer 'good value for money'. This has allowed *Primark* to increase its profits.

However, despite *Primark's* success, the business has been criticised for its very low prices. Critics of *Primark's* ethics have repeatedly stated that if a T-shirt is priced at £2, questions have to be asked about why it can be produced so cheaply. *Primark* says it has a strict ethical policy. In the last year it has doubled inspections at its overseas factories. Despite these worries, by the end of 2010 *Primark's* profits had risen by 26% to £825 million.

(Source: accessed January 2011 adapted from www.telegraph.co.uk)

7 What is meant by the term **ethics** in business?

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(Total for Question 7 = 2 marks)



8 Identify **two** methods of import protection that could be used by the EU.

1

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2

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(Total for Question 8 = 2 marks)

9 Discuss the benefits to *Primark* of selling clothes at very low prices.

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(Total for Question 9 = 6 marks)



***10** Using your knowledge of business, assess the importance of a strict ethical policy in helping *Primark* to increase its profits.

Dotted lines for writing the answer to Question 10.

(Total for Question 10 = 10 marks)

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

