GradeMax

Write your name here

Surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Business Studies

International Advanced Subsidiary
Unit 1: Business Enterprise

Wednesday 7 January 2015 – Afternoon
Time: 1 hour 30 minutes

Paper Reference
WBS01/01

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 in Section A and Section B.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*
- In your responses, you should take particular care with punctuation and grammar, as well as the clarity of your expression.
- Calculators 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.

Turn over ▶

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SECTION A

Answer ALL the questions in this section.

Write the letter of your chosen answer in the box and then explain your choice in the space provided.

You should spend 30 minutes on this section. Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

1 (a) After years of working for other people, Janice Ross left her full-time job to set up her own marketing consultancy business, *Janice Ross Marketing*.

Which **one** of the following is the **most likely** motive for Janice's decision to set up her own business?

(1)

A To work fixed hours

B To gain more job security

C To work independently

D To ensure regular income

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 1 = 4 marks)

2 (a) *Artisan du Chocolat* aims to support its suppliers and their communities by paying above market prices for cocoa beans.

Artisan du Chocolat's aim is **most likely** to be influenced by which **one** of the following?

(1)

A Government legislation

B Ageing population

C Profit maximisation

D Ethical consideration

Answer ☐

(b) Explain why this answer is correct.

(3)

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(Total for Question 2 = 4 marks)

3 (a) In 2012, Hurricane Andrew destroyed Ralph Lucchi's automobile business. He took out a $2m loan and remortgaged his house to restart his business.

Which **one** of the following entrepreneurial characteristics **best** describes Ralph Lucchi's actions?

(1)

A Profit satisficer

B Resilient personality

C Social entrepreneur

D Risk avoider

Answer ☐

(b) Explain why this answer is correct.

(3)

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(Total for Question 3 = 4 marks)

4 (a) Maria Johansson Bayindir, owner of the jewellery business *Maris Sal*, always buys her materials from the same local suppliers.

Which **one** of the following would be the **most suitable** source of finance for her weekly purchases of these materials?

(1)

A Trade credit

B Debentures

C Share issue

D Commercial bank loan

Answer ☐

(b) Explain why this answer is correct.

(3)

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(Total for Question 4 = 4 marks)

5 (a) In May 2013 India's inflation rate was 4.58%. In October 2013 it was 7%.

As a result of this change in inflation, Indian manufacturers such as *Tata Motors* are **most likely** to see an increase in

(1)

A exports

B staff levels

C demand for products

D costs of supplies

Answer ☐

(b) Explain why this answer is correct.

(3)

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(Total for Question 5 = 4 marks)

6 (a) The price of *Apple*'s iPad Mini is affected by many factors.

An increase in which **one** of the following may lead to a decrease in the selling price of *Apple*'s iPad Mini?

(1)

A Rate of sales tax

B Consumer incomes

C Supply of components

D Advertising costs

Answer ☐

(b) Explain why this answer is correct.

(3)

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(Total for Question 6 = 4 marks)

TOTAL FOR SECTION A = 24 MARKS

SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence A ***Hummingbird Bakery***



Tarek Malouf wanted to create a bakery unlike any other in the UK. With a focus on cake-making rather than bread-baking, Tarek believed he had found a clear gap in the market. He opened his first *Hummingbird Bakery* as a private limited company in Notting Hill in 2004 with one other director. Since then a further four branches have opened across London.

Tarek's vision for the bakery was to be authentically American in flavour and style. This love of American baking is something that many UK and international customers share.

Today the bakery sells an average of 22,000 cupcakes per week and has become a highly celebrated and recognisable high street brand.

One of the key factors in *Hummingbird Bakery*'s success has been its belief that cakes taste best when they have been freshly baked using the same ingredients and techniques as those used in home-baking. For this reason, every *Hummingbird Bakery* branch has its own kitchen and team of resident expert bakers and cake decorators. This enables them to bake to order and to only offer its customers cakes that have been freshly baked the very same day.

The *Hummingbird Bakery* is looking for growth through more locations within London and around the UK. Tarek states "I never intended to open hundreds of branches which would diminish the value of my product. I prefer to grow organically and open each new branch with the profits of existing ones."

International franchises have helped with planned growth and Tarek was approached by several people who wanted a *Hummingbird Bakery* franchise from the first year of opening. He spent two to three years planning the franchise, as well as running normal operations at the same time.

"We were approached by a really good franchising company. I liked what they did and the other brands they have – *YO! Sushi*, *Gourmet Burger Kitchen* and *California Pizza Kitchen* from the US – so they obviously knew what they were doing."

The first *Hummingbird Bakery* franchise opened in the Dubai Mall in September 2012, with two further branches expected to open in Dubai in summer 2013 and winter 2013.

(Source: adapted from https://hummingbirdbakery.com/our-bakeries/about-us/ and http://www.startups.co.uk/hummingbird-bakery-tarek-malouf.html)

Evidence B Trip Advisor: The *Hummingbird Bakery*

Ranked #657 of 14,645 restaurants in London

Reviews: Excellent 60; Very good 37; Average 6; Poor 2; Terrible 5



The *Hummingbird Bakery* is simply delicious. You get to see them making the cupcakes in the kitchen! They have vanilla, chocolate, carrot cake, black bottom, red velvet, and decorations which follow the theme of the month/week, i.e. Halloween, Thanksgiving, etc. There will also be a special of the day, which is always yum!



Grossly overpriced, totally indifferent cupcakes; their success has caused them to rest on their laurels.

(Source: adapted from http://www.tripadvisor.co.uk/Restaurant_Review-g186338-d1093824-Reviews-The_Hummingbird_Bakery-London_England.html#REVIEWS)

Evidence C Social Networking: Facebook and Twitter

The Hummingbird Bakery is on Facebook.

To connect with the Hummingbird Bakery, sign up for Facebook today.

Sign Up Log In

95,545 likes 3,142 talking about this

(Source: adapted from http://www.facebook.com/HummingbirdBakery)

Twitter Feed – sample 16th January 2012

HBB Soho @HBBSoho
Did you catch our free sample today? We gave away some of our rich Chocolate Loaf! Just a little treat from @HBBSoho… x

HBB Soho @HBBSoho
Fancy a free taster of our Chocolate Biscuit Bar? We are sampling at the Soho bakery from 12–1pm today! Be quick – only while stocks last…

(source:

7 Explain **two** features of the *Hummingbird Bakery* that give it a competitive advantage.

(Total for Question 7 = 6 marks)

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QUESTION 8 STARTS ON THE NEXT PAGE.

8 Evidence A states that Tarek opens each new branch in the UK with the profits from existing ones.

(a) Explain **two** ways Tarek could use to improve profitability.

(6)

Websites such as Trip Advisor (Evidence B) display reviews from customers online.

(b) Explain how reviews on websites such as Trip Advisor can impact on the *Hummingbird Bakery*.

(6)

(Total for Question 8 = 12 marks)

9 The following is an extract from *Hummingbird Bakery*'s statement of comprehensive income for the year ending 30th June 2013.

Extracts	**£**
Revenue	5 536 614
Cost of sales	(950 406)
Gross profit	4 586 208
Other operating expenses	(4 612 839)
(Loss)/Profit for the year	(26 631)

(a) Calculate *Hummingbird Bakery*'s gross profit margin. (Show your working)

(4)

Tarek has set up *Hummingbird Bakery* as a private limited company.

(b) Assess the advantages to Tarek of using this form of business structure.

(8)

(Total for Question 9 = 12 marks)

10 Evidence C illustrates some examples of the use of social networking by *Hummingbird Bakery.*

Assess the likely value of social networking as a market research tool for *Hummingbird Bakery.*

(12)

(Total for Question 10 = 12 marks)

11 Evaluate the use of franchising for the international expansion of *Hummingbird Bakery*.

(14)

(Total for Question 11 = 14 marks)

TOTAL FOR SECTION B = 56 MARKS
TOTAL FOR PAPER = 80 MARKS

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