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

Monday 18 May 2015 – Morning
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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P 4 5 0 6 9 A 0 1 2 0

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SECTION A

Answer ALL 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 *Mintel* produces marketing reports that are a source of secondary research.

(a) Which **one** of the following is also a source of secondary research?

(1)

A Telephone surveys

B Government statistics

C Focus groups

D Supplier visits

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 1 = 4 marks)

2 The retail price of *Amazon*'s Kindle e-reader fell by 60% between 2012 and 2013.

(a) The **most likely** reason was that

(1)

A sales taxes increased

B consumer income increased

C prices of substitutes decreased

D the choice of brands decreased

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 2 = 4 marks)

3 *Sportsaquatic.com* is a successful online retailer offering specialist swimwear for competitive swimming teams.

(a) *Sportsaquatic* is an example of a business operating in a

(1)

A test market

B face-to-face market

C mass market

D niche market

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 3 = 4 marks)

4 The Small Business Service of *HSBC* advises some of its new business clients to use cost-plus pricing.

(a) A new business might use cost-plus pricing because it

(1)

A sets the correct market price

B considers hidden costs

C is easy to administer

D guarantees a business makes a profit

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 4 = 4 marks)

5 *Kellogg's* gave free samples to shoppers when launching its White Chocolate Krave cereal.

(a) Which **one** of the following is likely to be the **main reason** why *Kellogg's* offered free samples?

(1)

A To identify potential bias

B To encourage sales

C To segment the market

D To save shoppers money

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 5 = 4 marks)

6 In 2013 the worldwide supply of rice decreased by almost 15%.

(a) Which **one** of the following is the **most likely** reason for this?

(1)

A The worldwide price of rice increased

B Storms and floods across Asia destroyed crops

C Genetically modified crops reduced loss from disease

D The EU increased subsidies to rice farmers

Answer ☐

(b) Explain why this answer is correct.

(3)

(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 Living the Chinese Dream



Xu Weiping set up *ABP* (Advanced Business Parks) in China in 2003. *ABP* has established a strong track record for developing large-scale enterprise districts in China. As an experienced and successful developer, Mr Xu has built a reputation for investing in and transforming areas in need of regeneration, so helping businesses succeed and generate economic growth.

In May 2013, Mr Xu struck a deal with London Mayor Boris Johnson to spend £1bn to develop London's Royal Albert Dock as the first Asian Business Park in the UK. The spotlight has fallen onto Mr Xu and he seems to be enjoying it.

Known for his love of fashion, Mr Xu states that, for him, fashion means "endless creativity and imagination". He goes on to say "imagination is what we need when we work, especially in developing property. Our UK architects are great on details but I lead their imagination."

Mr Xu has his critics who point to unfinished and unoccupied buildings on previous sites. He appears unconcerned by these critics. He states, "It is normal for people to doubt because such large projects are very challenging. The site developed in Bejing was much worse than the Royal Albert Dock and is now our business district. In China 10 years ago, many people doubted I could succeed. I have confidence in myself and the team".

Plans for *ABP* include expansion across several continents. The aim is for a step-by-step approach for investment and development in line with each local economy, which will lead to their economic development and create significant job opportunities.

(Source: adapted from *The Sunday Times*, Business; Boris's new best friend is living the Chinese dream, 24/11/2013 and http://ABP-global.com/)

Evidence B Boris signs £1bn deal to regenerate the Royal Albert Dock



The deal with *ABP* will create London's third major business district and is expected to generate £6bn for the UK economy. The development will include 2.5 million square feet of office space, plus retail and leisure facilities. The first tenants are expected to move in from 2017. Mayor Johnson states the area's development will create "tens of thousands of jobs and billions of pounds of investment for the UK economy."

City Hall says *ABP* will work with UK developer Stanhope and architects Farrell to develop an initial 600,000 square feet and that 'strong interest' has been shown by Chinese companies and banks looking for a European presence.

ABP chairman Xu Weiping says, "This project will be hugely significant for both Chinese and UK economies. My vision is to develop a world class international business district which will initially target Asian businesses to help them secure a destination in London, which in China is seen as the gateway to both the United Kingdom and the wider European economy."

(Source: http://www.mayorwatch.co.uk/boris-signs-1bn-deal-to-regenerate-royal-albert-dock/201325506)

Evidence C Chinese investments in the UK top £8bn in one year



Mr Xu cheerfully admits he doesn't yet have the money for the Royal Albert Dock. "The project will be developed in five phases. Each phase costs about £200m so there is no need for me to have £1bn in cash."

ABP will invest retained profit for 30% of the project and 30% would come from rent and sales revenue of the project. *ABP* will consider loans from European banks, share issues, funds from private equity firms to raise the remaining capital. "We intend to raise the remaining funds overseas," Mr Xu said, adding that financing in overseas markets was "more transparent and can be on a larger scale". Exchange rates will be reviewed constantly to optimise the potential investments.

(Source: adapted from *The Sunday Times*, Business; Boris's new best friend is living the Chinese dream, 24/11/2013; http://www.zoominfo.com/p/Xu-Weiping/520405859 and http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20130905000089&cid=1202)

7 Explain **two** entrepreneurial characteristics displayed by Mr Xu. (Evidence A)

(Total for Question 7 = 6 marks)

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QUESTION 8 BEGINS ON THE NEXT PAGE.

8 (a) Explain **two** benefits to *ABP* of being a plc.

(6)

ABP is encouraging Chinese businesses to purchase properties in the Royal Albert Dock project. (Evidence B)

(b) Explain one impact that an appreciation of the pound sterling (£) might have on Chinese purchasers.

(6)

(Total for Question 8 = 12 marks)

9 The following is an extract from *ABP*'s Statement of Income for Year Ending 30th April 2013.

Extracts	**CNY million**
Total Revenues	50 017
Cost of Sales	(25 225)
Gross Profit	24 792
Expenses	(8 372)
Profit for the year	16 420

(a) Using the above information, calculate *ABP*'s profit for the year margin.

(4)

(b) Assess why the use of retained profits might be a suitable source of finance for the Royal Albert Dock project.

(8)

(Total for Question 9 = 12 marks)

10 Assess the impact on **two** stakeholders of *ABP*'s Royal Albert Dock project.

(Total for Question 10 = 12 marks)

11 The Royal Albert Dock project will be built in five phases, each costing £200m.

Evaluate the extent to which a cash flow forecast can help to manage the finances of the Royal Albert Dock project.

(Total for Question 11 = 14 marks)

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

GradeMax

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