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Pearson Edexcel
International
Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Business Studies

International Advanced Subsidiary
Unit 1: Business Enterprise

Friday 15 January 2016 – 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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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 Dubai Mall, one of the world's leading shopping venues, is considering extending its opening hours until midnight every evening.

(a) This is likely to have a negative effect on which stakeholder group?

(1)

A Customers

B Suppliers

C Employees

D Shareholders

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 1 = 4 marks)

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2 (a) Noel Forster of *Noel's Driving School* is a sole trader. He needs to buy a new car so he can teach his clients how to drive.

Which **one** of the following is the **most likely** source of finance that Noel would use to purchase the new car?

(1)

A Overdraft

B Debenture

C Share capital

D A bank loan

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 2 = 4 marks)

3 (a) *Bell Tindle Williamson* is an accountancy partnership offering auditing, bookkeeping, raising finance and taxation advice.

Which **one** of the following is the **main** disadvantage of forming a business partnership?

(1)

A Shared liability

B Shared financial capacity

C Shared pool of contacts

D Shared specialist skills

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 3 = 4 marks)

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4 (a) In 2012, it was reported that oil companies *Esso* and *Shell* had introduced a predatory pricing strategy for the sale of fuel in their petrol stations.

The **main** aim of predatory pricing is to:

(1)

A increase company profits

B force other companies out of business

C charge customers a premium price

D increase sales of competitors' fuel

Answer ☐

(b) Explain why this answer is correct.

(3)

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(Total for Question 4 = 4 marks)

5 Like all businesses, *Kraft Foods Inc* is required to follow health and safety legislation.

(a) The **main** impact of health and safety legislation for *Kraft Foods Inc* is:

(1)

A describing products accurately

B protecting consumers from exploitation

C avoiding using child labour

D protecting people in the workplace

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 5 = 4 marks)

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6 (a) In 2014, drug manufacturer *Sun Pharmaceutical Industries Ltd* closed its factory in Detroit. 178 employees lost their jobs.

The **most likely** impact of this unemployment would be an **increase** in the:

(1)

A amount of tax revenues paid

B demand for training programmes

C sales of local products and services

D level of local wage rates

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: The Senegalese Entrepreneur Selling African Recipes to Americans



Magatte Wade is one of the most notable female entrepreneurs to emerge from Africa. Born in Senegal and educated in France, she is the original founder of *Adina World Beat Beverages* (*Adina)*, a San Francisco beverage company that manufactures coffee, tea and fruit juices based on traditional beverage recipes from across the world, using organic ingredients sourced from small-scale farmers across Africa and Asia.

Magatte started *Adina* based on Bissap, the traditional hibiscus drink of her native country, Senegal. She was angry and upset that her country's cultural traditions were being destroyed and replaced by Coke and Fanta.

Adina was started with $2m finance from Magatte's friends and family. *Adina* then raised a further $30m using venture capital.

Magatte developed *Adina* and attractively packaged other traditional natural teas and juices to sell to the western world. Magatte found 'culturally creative' Americans very eager to explore the native drinks of other cultures.

Adina's biggest impact in Africa was through the creation of an organic hibiscus industry in Senegal. The hibiscus industry was slowly dying in Senegal when Magatte brought in help from ASNAPP (Agribusiness in Sustainable Natural African Plant Products). They offered organic seeds, advice and coordinated activities between the growers and the organic and fair trade certification bodies. Magatte used *Adina* resources to pay for the growers' fair trade certification. Magatte also worked with the First Lady of Senegal, to access land and to support the set up of workers' co-operatives. Women were taught to grow world-class certified organic hibiscus. Today the organic hibiscus growers of Senegal sell their product around the world and thousands of women have jobs they would otherwise have lost.

Magatte stepped down as *Adina*'s CEO in 2009 because she did not like the new direction the business was taking in terms of positioning and branding, but she held onto her large shareholding.

(Source: adapted from http://www.forbes.com/sites/mfonobongnsehe/2012/03/22/the-senegalese-entrepreneur-selling-african-recipes-to-americans/)

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Evidence B: *Tiossan*



Following her success with *Adina*, Magatte decided to set up another company, *Tiossan*. *Tiossan* is a return to her original dream to bring more of her native Senegalese culture to the US market. Her vision is to share her culture with the West, hoping Senegalese people will learn to value their own culture.

Tiossan has been described in some media as a high-end skincare products manufacturer. When asked to define 'high end', Magatte states "I spend many hours working on my recipes to perfect the look, feel, performance, and scents of my products. I search for the best ingredients from around the world, to find suppliers who produce the best quality. I've spent thousands of hours working on my designs, my brand, and my message, and constantly refine them."



Body Cream Terranga $38.00

Magatte has mostly self-funded *Tiossan* along with a few carefully selected outside investors who are also deeply committed to the *Tiossan* vision. Part of that vision is to support *Tiossan*'s 'Bottle of Ambition' project, which devotes 10% of profits from every beauty product sold to creating innovative business schools in Senegal.

Magatte states "The newly rich in China, Brazil and India want to buy luxury products and they are keeping older brands, like *Chanel*, alive. Soon, they will want to buy *Tiossan*. The aim is to make sure that people really like the scents, the textures, the packaging, so we are talking to potential customers. Customers are trying the new products on their skin to find out for themselves. Product trials are taking place. Top branding firms stuck to the old ways of designing Africa in traditional colonial, safari or tribal styles. People are looking at *Tiossan*'s product design and say this is an entirely new design. You can see that there is something exotic about it. Innovative product design is bringing new meaning to Contemporary Africa."

(Source: adapted from http://www.ethicsandentrepreneurship.org/20130325/interview-with-magatte-wade/ and http://www.tiossan.com/)

(© Magatte Wade, Center for Ethics and Entrepreneurship. ROCKFORD UNIVERSITY)

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7 *Adina* was originally started with $2m raised from Magatte's family and friends.

Explain why raising funds in this way was a suitable source of finance for Magatte to start *Adina*.

(Total for Question 7 = 6 marks)

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8 A recent report stated that the worldwide demand for organic hibiscus flowers remains strong.

(a) Explain **two** non-price factors that might influence the future demand for organic hibiscus flowers.

(6)

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(b) Explain how a business plan might have helped *Adina* to become successful.

(6)

(Total for Question 8 = 12 marks)

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9 The following information is available from *Tiossan*.

- Fixed costs for a production run of Terrango Body Cream = $8 000
- Average variable costs per unit = $6.00
- Selling Price per unit = $38.00

(a) Using the above information, calculate how many units of Terrango Body Cream *Tiossan* needs to sell to break even. (Show your working.)

(4)

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(b) Assess the likely value of product trials to *Tiossan* when introducing new products to the US.

(8)

(Total for Question 9 = 12 marks)

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10 *Tiossan* has been described in some media as a 'high-end skincare products manufacturer'. (Evidence B, Line 7)

Assess the likely value of market mapping when launching *Tiossan* into the skincare market.

(12)

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(Total for Question 10 = 12 marks)

11 Evaluate the importance of profit as a source of motivation for Magatte.

(14)

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(Total for Question 11 = 14 marks)

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

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