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

Tuesday 11 October 2016 – 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) *Beaverbrook*, a family-owned jewellery business, has 65 stores and 850 employees in the UK.

Which of the following is an example of a fixed cost for *Beaverbrook*?

(1)

A Store rents

B Delivery costs

C Stock purchases

D Packaging costs

Answer ☐

(b) Explain why this answer is correct.

(3)

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(Total for Question 1 = 4 marks)

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2 (a) *Inovar Johannesburg*, a business that installs wooden floors, is considering the market positioning of its new range of stone flooring products.

Which of the following is a method of market positioning?

(1)

A Product range

B Market sampling

C Market mapping

D Product orientation

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 2 = 4 marks)

3 (a) *Dunkin' Donuts*® offers the opportunity to buy one of its franchises for $250 000.

Which **one** of the following is an advantage of buying a franchise?

(1)

A Buyer keeps all the profit

B Buyer chooses own suppliers

C Buyer makes all the decisions

D Buyer uses existing brand name

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 3 = 4 marks)

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4 (a) In 2015, sales of Louis Vuitton handbags (a French luxury brand) in Japan had increased by 10% on the previous year.

The **most likely** explanation for this was the:

(1)

A increasing strength of the Japanese currency

B increasing unemployment level in Japan

C increasing rate of inflation in Japan

D increasing Japanese interest rates

Answer ☐

(b) Explain why this answer is correct. (Show your working.)

(3)

(Total for Question 4 = 4 marks)

5 (a) Retailer *Costco International* offers free tasting of food and drink products to its customers every day.

The **most likely** reason for offering free samples to customers is:

(1)

A to identify potential bias

B to encourage a purchase

C to measure market size

D to increase product safety

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 5 = 4 marks)

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6 (a) *Primark* had suppliers in the Rana Plaza building, Bangladesh, that collapsed in 2013. Employees of these suppliers were then paid by *Primark* until 2015.

This demonstrates:

(1)

A environmental considerations

B fair trade agreement

C health and safety regulations

D ethical considerations

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: How This American Teenager Turned Her Childhood Hobby into a Global Business



When Bella Weems was 14 years old, she wanted a car. Bella tried to raise the money by looking after young children but after a few months she had only raised $350.

She was disappointed at the low payment for this service. As a result, her parents said that if she thought of a new idea, they would give her an additional $350 to help start a business.



Bella looked online for ideas and chose jewellery, something she found fun and interesting, particularly customisable lockets. These are separate chains, lockets and charms that can be put together to create pieces of jewellery that tell individual stories. She called the business *Origami Owl* and began selling her Living Lockets®.

Bella's own Living Locket® holds a cameo charm in honour of her grandmother, along with a sunflower charm and a cupcake charm just because she loves these two things.

To get the business started, Bella held jewellery parties at her house. Friends and family could come and buy the components to create their own Living Lockets®. She received positive feedback from people at her parties and they advertised her business by wearing the lockets.

Bella and her mother set up a small shop in November 2011. They sold an estimated $60 000 of jewellery a month during the Christmas season. More importantly, her customers sent them around the country as gifts. Soon Bella was receiving calls from people in different states across America wanting to buy more.

Origami Owl now offers various products, including the 'Core Collection' that focuses on the current trends in jewellery. Rather than just telling the story of the wearer, lockets can now include what the buyer needs to match their fashions. The business buys *Swarovski* crystals, which bring sparkle and prestige to the custom-designed stainless steel lockets. *Origami Owl*'s collection also includes patented designs, such as the heart locket.

(Source: adapted from http://www.entrepreneur.com/article/246000)

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Evidence B: Enterprise for All

Following its early successes in selling jewellery from the small shop and jewellery parties organised by Bella, *Origami Owl* expanded by recruiting 'Independent Designers'. These are people who love the products and host their own parties to sell jewellery, in exchange for free *Origami Owl* items, discounts and 30–50% commission. *Origami Owl* has more than 60,000 independent designers throughout the U.S and Canada.

Origami Owl's main market segment is 12–17-year-old girls. There is a special programme if they wish to start their own business and become 'Owlettes'. For $149, *Origami Owl* sends them a starter package that has samples of jewellery to show prospective buyers at the parties.

Bella is planning to expand into Mexico or Europe and to create a wider range of jewellery collections.

(Source: adapted from http://www.entrepreneur.com/article/246000)

Evidence C: Force for Good



In the United States, five children die every day due to abuse and neglect. Childhelp is a charity set up to reduce the number of children suffering every day.

Origami Owl has adopted and used Childhelp's Twitter hashtag #FiveTooMany to show its support for this cause.

Customers can support Childhelp by purchasing one of three special charms from *Origami Owl*. 100% of the proceeds from the sale of these charms go directly to Childhelp.

(Source: adapted from https://www.origamiowl.com)

7 Explain **two** motives Bella has for running her jewellery business *Origami Owl*.

(Total for Question 7 = 6 marks)

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8 (a) Explain **two** advantages of market segmentation for *Origami Owl*.

Bella's parents gave her additional money to start *Origami Owl*.

(b) Explain why this was a suitable source of finance for Bella.

(6)

(Total for Question 8 = 12 marks)

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9 The following is an extract from *Origami Owl*'s Statement of Income for Year Ending 31 March 2016.

Extracts	**$000s**
Revenue	1 372
Cost of Sales	(343)
Gross Profit	1 029
Expenses	(617)
Profit (Loss) for the year	412

(a) Using these figures, calculate *Origami Owl*'s profit for the year margin. (Show your working.)

(4)

(b) Assess the likely importance of using registered trademarks and patents to businesses such as *Origami Owl*.

(8)

(Total for Question 9 = 12 marks)

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10 Assess the extent to which non-price factors of demand may affect the sales of *Origami Owl*'s products.

(12)

(Total for Question 10 = 12 marks)

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11 Evaluate the likely impact on **two** stakeholder groups of *Origami Owl* if Bella decides to expand the business.

(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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