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 11 January 2017 – 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 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) Sharon Roberts used her own money to open her clothing repair business, *Sharon's Sewing & Alterations*. She operates it from her home.

Which **one** of the following is **most likely** to be the structure of Sharon's business?

(1)

A Public Limited Company

B Private Limited Company

C Cooperative

D Sole Trader

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) Before launching a new cancer drug, pharmaceutical company *Novartis* interviewed some doctors for their opinions about the product.

Which **one** of the following is this **most likely** to be an example of?

(1)

A Sampling

B Secondary research

C Market size

D Trade-off

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 2 = 4 marks)

3 (a) *Ohungu Wilderness*, a new business, is seeking £770 000 funding in return for 50% ownership in its proposed adventure safari lodge in Namibia.

Which **one** of the following sources of finance **best meets** the needs of *Ohungu Wilderness*?

(1)

A Overdraft

B Venture capital

C Debenture

D Retained profit

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 3 = 4 marks)

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4 Cosmetics company *L'Oreal* reported the results given below on 31 December 2014.

Extracts	**€m**	**€m**
Total revenues	22 532	
Cost of goods sold	6 501	
Gross profit		16 031
Other operating expenses	12 173	

(a) What was *L'Oreal*'s profit for the year margin?

(1)

A 71.1%

B 28.8%

C 17.1%

D 31.7%

Answer ☐

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

(3)

(Total for Question 4 = 4 marks)

5 (a) UK supermarket chain *Tesco* sells leading products at similar prices to other supermarkets.

This is an example of:

(1)

A Premium pricing

B Competitive pricing

C Penetration pricing

D Psychological pricing

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 5 = 4 marks)

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6 (a) The UK government announced that from 1 October 2015 the minimum wage for 18–20-year-olds would rise from £5.13 per hour to £5.20 per hour.

What is the **most likely** impact of this change on small businesses in the UK?

(1)

A Profitability may increase

B Competitiveness may increase

C Wage costs may decrease

D Recruitment may decrease

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 14-year-old Rachel Zietz built a $1million company

Gladiator Lacrosse was founded in 2013 by Rachel Zietz when she was just 13 years old. Her online lacrosse equipment company is now expected to exceed $1m in revenue.



Rachel lined up with the other finalists for the Miami Chamber of Commerce's 2015 Entrepreneur Award for young professionals.

Rachel astonished all the judges with her impressive background and accomplishments at such a young age.

One of the judges said, "I kept thinking her birth date had to be a mistake. Her business acumen and planning skills were beyond impressive."

Rachel was the first teenager ever nominated for this award. Her *Gladiator Lacrosse* products are top-rated in their category on *Amazon.com* above bigger and better known brands.

Evidence B: Young Entrepreneurs Academy (YEA!)

Before *Gladiator Lacrosse* was formed, Rachel joined a 33-week programme called the Young Entrepreneurs Academy. The programme taught her to build a business plan around a need in her own life.

A skilled lacrosse player who plays in school and national teams, Rachel was disappointed with the equipment she used. The practice goals and rebounders that were available seemed to break easily and were expensive. Rachel altered the two products, designing thicker netting and more durable frames.

At the end of the Young Enterprise programme, using her business plan, she presented her idea for high-quality lacrosse products to an investor. She was given $2 700 finance, and used it to work with suppliers in China to secure her first 45-foot container of lacrosse goals and rebounders.

(Source: adapted from 'How 14-year-old Rachel Zietz built a $1 million company', Celia Ampel © American City Business Journals, 2015)

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Evidence C: Challenges of running a business

Rachel has said her biggest challenge in getting started with *Gladiator Lacrosse* was in managing everything. "I learned time management skills are very important when trying to balance school, competitive lacrosse, and my business."

Rachel had to learn some lessons the hard way. She once ran out of products, not realising how long it takes for factory shipments from China to arrive in the US. Her father said "She learned what the expression 'slow boat from China' really meant. The business lost sales at this time. She is much better at planning her business now".

Rachel said, "My main advice would be to make sure you are ready to commit. I have to constantly watch over my business – plan for growth, to become something successful and meaningful in the world. You also learn perseverance and determination. When someone tells you that you cannot build a business because you're too young and it's a mistake, or too hard, that is when you prove them wrong. It is possible to start a business no matter what anyone says."

(Source: adapted from 'Kidpreneur Rachel Zietz Is Building Better Lacrosse Equipment', Adam Toren © Kidpreneurs, 2014)

Evidence D: *Gladiator Lacrosse* Rebounder



Our lacrosse rebounder is durable and adjusts perfectly for all sizes of practice space. It is four feet by three feet and is easily adjusted to fit the height of any player. The rebounder also adjusts to change the angle of the bounce.

Steel pipes give the rebounder a sturdy base and it has a dampened rebound surface to allow for usage in smaller spaces.

Unlike most rebounders, the *Gladiator Lacrosse* rebounder folds flat for easy storage, which protects it from the elements and preserves the effectiveness of its rebounding capabilities.

The *Gladiator Lacrosse* rebounder meets all of the requirements of a quality rebounder and is available from our website at a fair price of $245.

(Source: adapted from http://www.gladiatorlacrosse.com/products/)

7 Explain **two** entrepreneurial characteristics that Rachel demonstrated when starting *Gladiator Lacrosse*.

(Total for Question 7 = 6 marks)

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8 (a) Explain **two** examples of opportunity cost for Rachel of setting up her own business.

(6)

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(b) Analyse **two** ways *Gladiator Lacrosse* has achieved a competitive advantage.

(6)

(Total for Question 8 = 12 marks)

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9 The following information is available from *Gladiator Lacrosse*.

Fixed costs for a full production run of the lacrosse rebounder = $32 000

Average variable costs per lacrosse rebounder = $85

Average selling price per lacrosse rebounder = $245

(a) Using the above data, calculate the break-even output for *Gladiator Lacrosse* rebounders. (Show your working.)

(4)

(b) Rachel is planning to expand *Gladiator Lacrosse* over the next five years.

Assess the likely usefulness of a business plan in obtaining finance for *Gladiator Lacrosse*'s expansion.

(8)

(Total for Question 9 = 12 marks)

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10 Assess Rachel's decision to only sell her products through the digital economy.

(12)

(Total for Question 10 = 12 marks)

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11 Evaluate the extent to which *Gladiator Lacrosse* is a market orientated business.

(14)

(Total for Question 11 = 14 marks)

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

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