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 8 January 2018 – 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 ▶

P54527A

©2018 Pearson Education Ltd.

1/1/1

P 5 4 5 2 7 A 0 1 2 0

Pearson

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 UK fashion manufacturer *Sewport Ltd* needs a new machine costing £125 000 to cut fabric for its clothes production lines.

(a) Which **one** of the following would be the most appropriate source of finance?

(1)

A Trade credit

B Overdraft

C Leasing

D Debenture

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 1 = 4 marks)

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

2 *Sony* has launched the long awaited next generation PlayStation Pro games console, which uses newly developed technology.

(a) What is the most appropriate pricing strategy for the new PlayStation?

(1)

A Predatory pricing

B Price skimming

C Cost-plus pricing

D Competitive pricing

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 2 = 4 marks)

3 Shampoos are often differentiated by features such as 'with tea tree oil' or 'with sea algae and minerals'.

(a) The **most likely** reason for shampoo manufacturers to use product differentiation is to

(1)

A reduce production costs

B appeal to the mass market

C give a competitive advantage

D predict demand for a new product

Answer ☐

(b) Explain why this answer is correct.

(3)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(Total for Question 3 = 4 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

4 In 2016, *Cineworld* cinema chain reported a worldwide increase in box office revenue of 7.9%, whilst its retail sales of popcorn increased by 8.5%.

(a) Which **one** of the following is the **most likely** reason for the increase in popcorn sales?

(1)

A Ice cream prices were reduced

B Popcorn is linked to obesity

C Incomes were falling

D It is a complementary product

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 4 = 4 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

5 *Samsung* announced a worldwide recall of every Galaxy Note 7 smartphone sold before September 2016 because of reported dangerous faults.

(a) Consumer protection legislation requires that goods and services sold must be

(1)

A guaranteed for life

B produced under Fair Trade agreements

C taxed by the government

D fit for their intended purpose

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 5 = 4 marks)

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

6 In July 2016, the pound sterling (£) depreciated against the euro (€) and the US dollar ($).

(a) The **most likely** impact of this depreciation on UK businesses would be

(1)

A export prices increase

B export orders increase

C import orders increase

D import prices decrease

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 6 = 4 marks)

TOTAL FOR SECTION A = 24 MARKS

GradeMax

SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence A: Srikanth Bolla

Srikanth Bolla was the winner of Social Entrepreneur of the Year in 2016, he is also a millionaire. His business, *Bollant Industries*, offers 100% sustainable and environmentally sensitive products; 60% of the workforce are disabled and 58% of the workforce are women.

Srikanth himself is blind and has had to face many obstacles throughout his life. Coming from a poor farming background in the south of India, he had to fight the government to follow a science course at school. When he was later refused entry to Indian universities, Srikanth became the first international blind student to be admitted to the prestigious Massachusetts Institute of Technology (MIT) in the US.

(Sources: adapted from © Youth Business International and © YourStory Media Private Limited)

Evidence B: *Bollant Industries*

"Even while studying at MIT, I had a vision for myself – I wanted to create a social enterprise addressing three primary areas of concern to me: increasing pollution through indiscriminate use of plastics and harmful chemicals; lack of employment opportunities for India's 80 million disabled people; and improving the livelihoods of Indian farmers."



Srikanth is the CEO of Hyderabad-based *Bollant Industries*, a private limited company launched in 2012. It manufactures eco-friendly, disposable consumer packaging solutions.

His research showed that creating products from recycled agricultural materials could be a sustainable and viable business.

One of the first materials he started using was the Areca (betel) nut. It is typically harvested by farmers in the Southern states of India as a commercial crop but they do not use the entire nut: leaf sheaths that were once discarded are now used by *Bollant Industries* to create an eco-friendly alternative to plastic tableware.

Since its launch, the company has also developed a line of containers from recycled paper. Not wanting to continue using chemicals in production, Srikanth created his own line of alternative, eco-friendly glues and adhesives to use in their manufacturing processes.

Bollant Industries is also creating positive experiences for others in the supply chain. To date, the company has contributed to 800 jobs indirectly. Areca nut farmers benefit from an additional source of stable income. By creating sustainable alternatives to plastic, *Bollant Industries* has replaced roughly 700 tonnes of plastic waste within three years.

(Source: adapted from © Youth Business International)

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Evidence C: Growth and Investment

Business angel, Ravi Mantha, was so impressed with Srikanth's business acumen and his vision for the business that he not only decided to mentor him but also invested in the company. Several other angel investors are now involved, including Kirin Grandhi of GMR Group and Ratan Tata of Tata Industries.

They are raising $2m in funding and have already raised $1.4m.

In 2016, *Bollant Industries* has four factories, one each in Hubli and Nizamabad, and two in Hyderabad. A large new factory, in Sri City, is under construction and will be 100% solar powered.

Bollant Industries achieved a turnover of $330 000 in less than 3 years. Further growth is planned and it is expected to grow into a $13m turnover company by 2018. This will expand opportunities for disabled people in India.

(Source: adapted from © Youth Business International)

GradeMax

BLANK PAGE

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

7 Explain **two** entrepreneurial characteristics that Srikanth Bolla has demonstrated.

(Total for Question 7 = 6 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

8 (a) Explain **two** ways *Bollant Industries* is contributing to the circular economy.

(6)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(b) Explain **two** non-price factors that might affect the supply of raw materials to *Bollant Industries*.

(6)

(Total for Question 8 = 12 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

9 The following information is available:

- fixed costs for a production run of Areca tableware = Rs4 000
- average variable cost per unit = Rs1.5
- selling price per unit = Rs6.5

(a) Using the information above, calculate the break-even output of Areca tableware. (Show your working.)

(4)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Srikanth used funding from business angels to grow his company.

(b) Assess the suitability of this source of finance for *Bollant Industries*.

(8)

(Total for Question 9 = 12 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

10 Assess the likely importance of profit maximisation to Srikanth when running *Bollant Industries.*

(12)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(Total for Question 10 = 12 marks)

11 Employees and the Areca nut farmers are stakeholders in *Bollant Industries*.

Assess the impact of *Bollant Industries* on these two stakeholder groups.

(14)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(Total for Question 11 = 14 marks)

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

GradeMax

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE

Every effort has been made to contact copyright holders to obtain their permission for the use of copyright material. Pearson Education Ltd. will, if notified, be happy to rectify any errors or omissions and include any such rectifications in future editions.