

Write your name here	
Surname	Other names
Edexcel	Centre Number
International GCSE	Candidate Number
Business Studies	
Tuesday 22 May 2012 – Afternoon Time: 2 hours	Paper Reference 4BS0/01
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.
- There are two sections for this paper – Section A and Section B.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*
- A calculator may be used.

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Keep an eye on the time.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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PEARSON

FORMULAE FOR INTERNATIONAL GCSE BUSINESS STUDIES**Gross Profit Ratio**

Gross Profit = sales revenue – cost of goods sold

$$\text{Gross Profit ratio} = \frac{\text{Gross profit}}{\text{Sales revenue}} \times 100$$

Net Profit Ratio

Net Profit = Gross Profit – overheads

$$\text{Net Profit ratio} = \frac{\text{Net profit before tax}}{\text{Sales revenue}} \times 100$$

Return On Capital Employed (ROCE)

$$\text{ROCE} = \frac{\text{Net Profit before tax}}{\text{Net capital employed}} \times 100$$

Current Ratio

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Acid Test Ratio

$$\text{Acid Test ratio} = \frac{\text{Current assets} - \text{stock}}{\text{Current liabilities}}$$



Erin's Choice (EC Ltd) is a family business owned by two sisters, Erin, the managing director and Layla, the finance director. *EC Ltd* is based in Birmingham (UK), where they make high quality chocolates that are expensive to buy.

The handmade chocolates are only sold through the internet. Customers must register their personal details on the *EC Ltd* website before making their first order. Once registered, customers can order chocolates and select the delivery date. The chocolates are made in small quantities so that all deliveries are fresh.

The popularity of *EC Ltd* chocolates has grown over the years and there is increasing interest from customers outside the UK wanting to buy the chocolates. At the moment *EC Ltd* does not accept orders from outside the UK.



(Source: © India Today Group/Getty Images)

Answer ALL questions.

SECTION A

For each of the questions (i) – (v), choose an answer A, B, C, or D and put a cross in the box ☒. Mark only one answer for each question. If you change your mind, put a line through the box ☒ and then indicate your new answer with a cross ☒.

1 (a) (i) *EC Ltd* is in which industry sector?

(1)

- ☐ **A** Enterprise
- ☐ **B** Labour
- ☐ **C** Primary
- ☐ **D** Secondary

(ii) Money flowing in and flowing out of *EC Ltd* is:

(1)

- ☐ **A** a bank loan.
- ☐ **B** break-even.
- ☐ **C** cash flow.
- ☐ **D** profit and loss.

(iii) Which department at *EC Ltd* would send out invoices?

(1)

- ☐ **A** Finance
- ☐ **B** Human Resources
- ☐ **C** Marketing
- ☐ **D** Production

(iv) The method of production most likely to be used at *EC Ltd* is:

(1)

- ☐ **A** batch production.
- ☐ **B** flow production.
- ☐ **C** job production.
- ☐ **D** Just in Time production.



(v) People who eat the chocolates that have been bought for them are:

(1)

- ☐ **A** buyers.
- ☐ **B** consumers.
- ☐ **C** employers.
- ☐ **D** sellers.

If *EC Ltd* was a bigger business it could benefit from economies of scale. Economies of scale are either internal or external.

(b) Against each of the economies of scale listed in the table below, indicate, with a cross, whether it is an internal or external economy of scale.

(5)

Economies of Scale	Internal	External
Managerial	☐	☐
Skilled labour	☐	☐
Reputation of area	☐	☐
Technical	☐	☐
Financial	☐	☐



Communication is important to *EC Ltd* and it uses different methods to keep its staff informed.

(c) How does each method below help *EC Ltd* communicate with its staff?

Notices

(3)

Letters

(3)

EC Ltd knows the importance of health and safety legislation for its staff.

(d) (i) Why is health and safety legislation important for **staff** who work with machines?

(2)



- (ii) State **two** problems for *EC Ltd* if it does not follow health and safety legislation.

(2)

1

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2

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(Total for Question 1 = 20 marks)



2 *EC Ltd* is a company that looks after its staff. One of the ways the company does this is by paying its staff above the minimum wage.

(a) What is meant by a wage?

(2)

(b) Identify **two** reasons why *EC Ltd* pays its staff above the minimum wage.

(4)

1

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Erin and Layla are considering expanding *EC Ltd*.

For question 2 (c) (i), choose two answers from A, B, C, D, E and F and put a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new answer with a cross ☒.

- (c) (i) Which **two** long-term sources of finance from the list below is *EC Ltd* most likely to use to fund the expansion of its business?

(2)

Indicate your answers by marking TWO boxes only.

- ☐ **A** Credit cards
- ☐ **B** Resale of assets
- ☐ **C** Issue of more shares
- ☐ **D** Overdraft
- ☐ **E** A bank loan
- ☐ **F** Factor its debts

- (ii) Why might *EC Ltd* choose a mortgage as a source of long-term finance?

(2)

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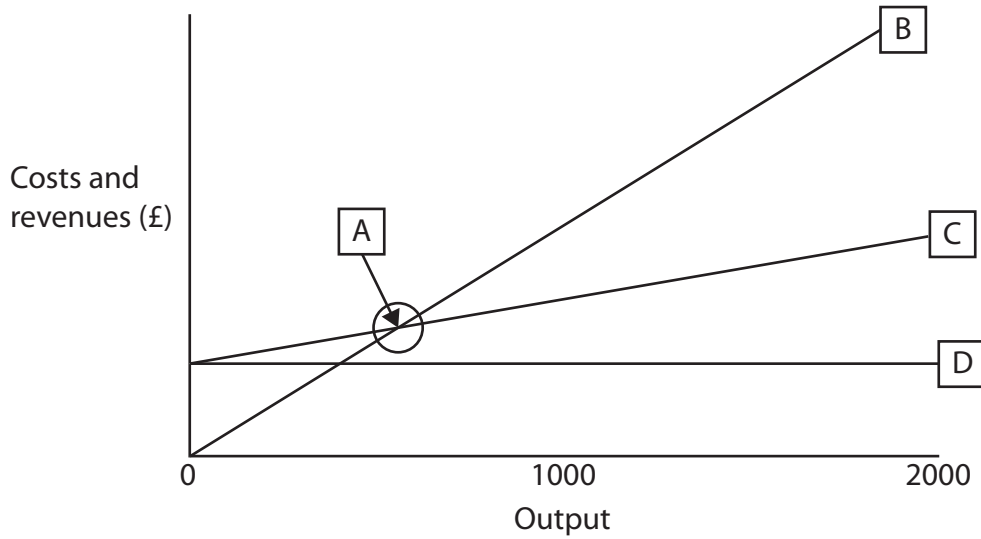
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EC Ltd could use a break-even graph to find out the level of sales needed to make a profit.

EC Ltd Break-Even Graph



(d) On the graph are four letters, A, B, C and D. Give the correct label for each one.

(4)

A

B

C

D

EC Ltd have considered expanding their business to take into account the possible opportunities of selling their chocolates abroad. The directors have to make a decision on the following two options.

If *EC Ltd* is to begin selling its chocolates abroad it will need to increase its production. This could be done by either:

Option A Moving to a purpose built production premises in a high unemployment area in Liverpool (UK).

Option B Extending the present production premises in Birmingham (UK).

Select **one** of these options for increased production premises.

(e) Discuss **two** reasons why you have chosen this option.

(6)

1

2

(Total for Question 2 = 20 marks)



- 3** Layla prepares the accounts for *EC Ltd*. One of her jobs is to make sure that *EC Ltd* has enough cash. She does this by using a Cash Flow Forecast.

The following is an extract from *EC Ltd's* Cash Flow Forecast for the last six months of 2011.

	July	Aug	Sept	Oct	Nov	Dec
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance	32	44	40	-11	-6	1
Cash inflow	25	26	32	27	25	18
Cash outflow	13	30	83	22	18	14
Net cash flow	12	?	-51	5	7	4
Closing balance	44	40	-11	-6	1	5

- (a) (i) Calculate the net cash flow for August 2011.

(1)

- (ii) Give **two** examples of cash outflow.

(2)

- (iii) Discuss how a Cash Flow Forecast can help a business such as *EC Ltd* make financial decisions.

(5)

EC Ltd are considering changing their method of production, which has caused problems for some staff. These staff are thinking about withdrawing their labour – this would be a strike and could affect labour relations.

(b) (i) Discuss the effects on *EC Ltd* of its staff going on strike.

(4)

(ii) Discuss the effects on **staff** of going on strike.

(4)

Two members of staff decide to leave the company. *EC Ltd* will interview applicants to replace them.

(c) Analyse the importance of the interview process to *EC Ltd*.

(4)

(Total for Question 3 = 20 marks)

TOTAL FOR SECTION A = 60 MARKS



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Section B starts on the next page.



SECTION B

- 4** *EC Ltd* are going to expand by selling their chocolates abroad. This means that they will have to market their products in these new countries.

(a) (i) Analyse why **place** in the marketing mix would be important to *EC Ltd*.

(3)

(ii) Explain the importance to *EC Ltd* of setting a budget for their advertising.

(3)

Market segmentation is important to *EC Ltd*.

(b) Analyse **two** market segments who are likely to buy *EC Ltd* chocolates.

(6)

1

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(8)

18



5 Policies made by a government can affect the success or failure of businesses exporting their goods. Two policies a government could change are:

- a reduction in interest rates
- an increase in tariffs.

Select **one** of these policies.

(a) Analyse the possible effects this policy could have on *EC Ltd*.

(5)

Governments can influence how businesses operate through taxation.

(b) (i) What is a direct tax?

(1)

(ii) Evaluate how *EC Ltd* will be affected if a government increased a sales tax by 2.5%.

(4)



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Question 5 continues on the next page.



The directors of *EC Ltd* have to decide which pricing strategy they will use when they begin selling chocolates in a new country.

They are considering the following options.

Option 1 Promotional pricing

Option 2 Competition pricing

(c) Select **one** of these options.

Justify why you have selected this option and rejected the other.

(10)

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(Total for Question 5 = 20 marks)

TOTAL FOR SECTION B = 40 MARKS
TOTAL FOR PAPER = 100 MARKS

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