

Edexcel GCSE Business

Question Paper

Paper 1a

Investigating small business

Write your name here

Surname

Other names

Centre Number

Candidate Number

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Edexcel GCSE Business

Paper 1a: Investing in small business

Practice paper

For reference

Time: 1 hour 15 minutes

Paper 1a

You do not need any other materials

Total

Instructions

- Use **black** ink or **black** ball-point pen
- **Fill in the boxes** at the top of the page with your name, centre number and candidate number
- There are **three** sections in this paper
- Answer **all** questions in each section
- Answer the questions in the spaces provided – *there may be more space than you need*
- Calculators may be used
- You are advised to **show all your working out** and **answer clearly identified** at the end of each **solution**

Information

- The total mark for this paper is 90
- 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
- Try to answer every question
- Check your answers if you have time at the end

Edexcel GCSE Business Paper 1a

Section A

ANSWER ALL QUESTIONS. WRITE YOUR ANSWERS IN THE SPACES PROVIDED

Some questions must be answered with a cross **X**. If you change your mind about an answer, put a line through the box **X** then mark your new answer with a cross **X**.

- 1 (a) Which **one** of the following is **not** a risk of running a business?

Select **one** answer:

- A Profit loss
- B Poor location
- C Insufficient demand
- D Business failure

(1)

- (b) Which **one** of the following is an example of secondary market research?

Select **one** answer:

- A Focus group
- B Market report
- C Observation
- D Survey

(1)

- (c) Explain **two** advantages to business owners of having limited liability.

(3)

(d) Explain **one** disadvantage to a business of an increase in interest rates.

(3)

(Total for Question 1 = 8 marks)

2 (a) Which **two** of the following are examples of variable costs?

Select **two** answers:

- A Insurance
- B Production wages
- C Raw materials
- D Rent
- E Salaries

(2)

(b) Which **two** of the following are suitable long-term sources of finance for a start-up trader?

Select **two** answers:

- A Crowd funding
- B Overdraft
- C Share capital
- D Trade credit
- E Venture capital

(2)

Figure 1 shows the number of customers visiting a business over the first four weeks of this year.

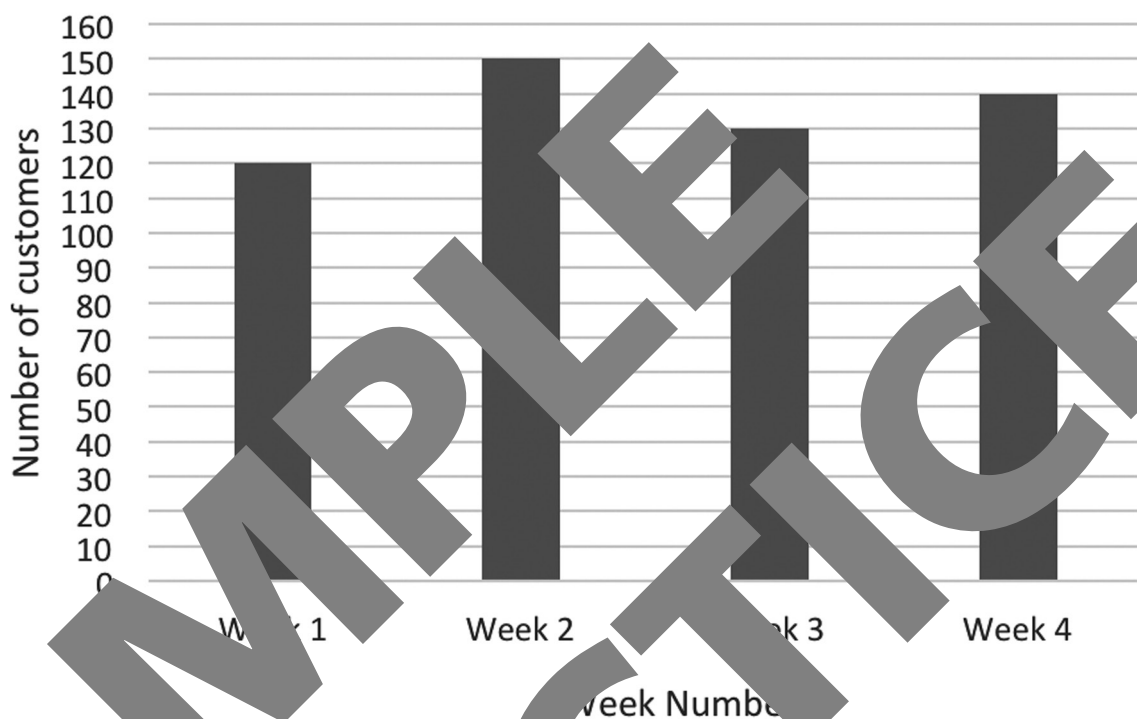


Figure 1

The average selling price per customer is £10.

Using the information in Figure 1, calculate the sales revenue of the business for the first four weeks of this year. You are advised to show your workings.

(2)

£ _____

(d) Explain **one** reason why a business needs to understand its customer needs.

(3)

(e) Explain **one** benefit to a business of using crowd funding as a source of finance.

(3)

(Total for Question 2 = 12 marks)

3 (a) Which **one** of the following best describes the margin of safety of a business?

Select **one** answer:

- A The number of units that a business needs to sell to break even ☐
- B The point at which total revenue equals total costs ☐
- C The difference between the actual level of output and the break even output ☐
- D The value of the total costs and revenue at the break even point ☐

(1)

(b) Using the information below calculate the total interest the business would pay on the loan as a percentage of the total amount borrowed. You are advised to show your workings.

Total value of the loan £20,000

Monthly repayments: £500

Loan period: 4 years

(2)

(c) Explain **one** of the benefits of using technology in a payment system.

(3)

(d) Explain **one** reason why a start-up business would have survival as an aim in its first year of trading.

(3)

(e) Discuss the likely drawbacks of a start-up business of setting up and running a franchise operation.

(6)

(Total for Question 3 = 15 marks)
TOTAL FOR SECTION A = 35 marks

Section B

ANSWER ALL QUESTIONS IN THE SPACES PROVIDED

Look at Figures 2 and 3, read the following extracts carefully, then answer Questions 4, 5 and 6.

Niya and Paul opened *Chicken & Grill*, a fast food outlet, two years ago hoping it would provide them with financial security. (Figure 2). Eager to have equal ownership, the pair decided to set up the business as a partnership. Although sales have been constant, they are lower than expected which has left them disappointed. They now see increasing the amount of sales made by the business as a way to improve profit.

The area where *Chicken & Grill* operates has high levels of unemployment and wage levels are below the national average. Its premises are extensive, but are further from the target market than those of its competitors resulting in it being less successful. Although *Chicken & Grill* produce good quality fast food, however Niya and Paul are concerned about the impact a recent rise in the price of raw materials will have upon sales (Figure 3).



Figure 2

Figure 3 shows a recent newspaper article

THE 'PLASTIC CHICKEN' THAT'S ONLY 51% MEAT

by Sian Evans, Local News

Consumers at local takeaways are being fobbed off with low quality chicken pumped full of chemicals and water. In fact, about 40% of the chicken served at the popular catering supplier undergoes heavy processing. The meat that results is so rubbery and tasteless that it is known in the trade as "plastic chicken". Consumers might seem like a fresh, plump chicken but it might be only 51% meat! Consumers told the reporter "that the meat is really spongy and rubbery. In fact it doesn't taste like normal chicken".

Figure 3

Given their concerns about *Chicken & Grill*'s sales levels, Niya and Paul are considering the introduction of a home delivery service. If they decide to implement their idea, they plan to make extensive use of social media to promote the service.

- 4 (a) Outline **one** way in which Chicken and Grill's location might impact on the business.

(2)

- (b) Analyse the impact of competition legislation on Paul's business.

(6)

(Total for Question 4 = 8 marks)

- 5 (a) Outline **one** benefit to Niya and Paul of operating *Chicken & Grill* as a partnership.

(2)

Niya and Paul have decided to implement a home delivery service. The fixed costs of running the service will be £400 per week. The cost of providing one meal for delivery will be £1.60 and the selling price will equal £2.40.

- (b) Calculate the number of meals the business would need to sell each week to break even for the delivery service to break even. You are required to show your workings

(2)

meals to break even

(c) Analyse the impact on *Chicken & Grill* of using social media to promote the home delivery service.

(6)

Handwriting practice lines (ruled lines) for the answer.

(Total Question 5 = 10 marks)

- 6 Niya and Paul are worried about their cash-flow and have decided to produce a cash-flow forecast for the next three months (Figure 4) to help them decide on the launch date of their delivery service.

	January (£)	February (£)	March (£)
Receipts	8,000	8,000	9,000
Raw materials	2,050	2,150	2,150
Wages	3,100	2,530	4,600
Fixed costs	1,000	2,750	1,000
Total payments	7,900	8,430	(ii)
Net cash flow	100	(i)	(1,800)
Opening balance	400		70
Closing balance	500	70	(1,730)

Figure 4

(a) Complete the table with the **two** missing figures.

(b) State **one** reason why Niya and Paul should be concerned about the cash-flow forecast.

(1)

In order to increase the amount of sales made by *Chicken & Grill*, Niya and Paul are considering two options:

Option 1: Reducing average prices by 10%

Option 2: Increasing the amount they spend on promotion

(c) Justify which **one** of these two options Niya and Paul should choose.

(9)

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(Total for Question 6 = 12 marks)
TOTAL FOR SECTION B = 30 marks

Section C

ANSWER ALL QUESTIONS IN THIS SECTION

Look at Figures 5, 6 and 7, read the following extract carefully, then answer Question 7.

Dave has worked as a carpenter with a large building firm for over 20 years. In recent years, he has become more and more dissatisfied with the routine work he has been asked to do, as it uses very few of his carpentry skills. He is now considering leaving his job and setting up his own business making and selling high quality wooden bedroom furniture.

Many of his friends, some of whom are also builders, have said that they were refitting their bedrooms and they would want authentic wooden furniture. In fact, they expressed interest in booking Dave to undertake work for them from their own building businesses. Dave is therefore confident his business idea would be a success, given that the market he would be targeting is getting wealthier, with income levels above the national average.

In order to investigate this idea further, Dave decided to look at some data relating to the market. He found that there were two types of carpenter, professional carpenters, similar to him, and amateur bedroom furniture makers, which, more often than not, were a lot cheaper.

As a result of these findings, Dave decided that he should complete some more market research by carrying out a survey of the local area and asking the people they would be interested in his product how much they would be prepared to pay (Figure 7).



Figure 5

Would you be interested in buying quality wooden bedroom furniture?



Figure 6

How much would you be prepared to pay to fit out a whole bedroom?

£2,000	2
£4,000	5
£6,000	9
£8,000	11
£1,000	15

Figure 7

Based on his market research, Dave needs to cover business costs and have some money to live off, Dave decided that he would need to charge £1,000 per bed. He has also decided to produce a business plan, as he would need a loan to get his business started. As Dave has an appointment with his local bank manager next week, he is considering whether to conduct further primary market research or more secondary market research.

- 7 (a) State **one** way in which Dave could segment the market for his business.

(1)

- (b) Identify **one** element Dave should include in his business plan.

(1)

- (c) Outline **one** competitive advantage that impact on Dave's business.

(2)

Dave has decided to conduct further market research and is considering two options:

Option 1: More primary research

Option 2: Further secondary research

(d) Justify which **one** of these two options Dave should choose.

(9)

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- (e) Evaluate whether Dave has the entrepreneurial skills required to make the business a success. You should use the information provided as well as your knowledge of business.

(12)

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(Total for Question 7 = 25 marks)
TOTAL FOR SECTION C = 5 marks
TOTAL FOR PAPER = 90 marks

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