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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel International GCSE

Centre Number | Candidate Number

Thursday 16 May 2019

Afternoon (Time: 1 hour 30 minutes) | Paper Reference **4BS1/01**

Business

Paper 1: Investigating small businesses

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.
- 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.*
- A calculator 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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FORMULAE FOR INTERNATIONAL GCSE BUSINESS

Gross profit margin:

Gross profit = revenue – cost of sales

$$\text{Gross profit margin} = \frac{\text{gross profit}}{\text{revenue}} \times 100$$

Operating profit margin:

Operating profit = gross profit – other operating expenses

$$\text{Operating profit margin} = \frac{\text{operating profit}}{\text{revenue}} \times 100$$

Markup:

$$\text{Markup} = \frac{\text{profit per item}}{\text{cost per item}} \times 100$$

Return on capital employed (ROCE):

$$\text{ROCE} = \frac{\text{operating profit}}{\text{capital employed}} \times 100$$

Current ratio:

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

Acid test ratio:

$$\text{Acid test ratio} = \frac{\text{current assets – inventory}}{\text{current liabilities}}$$

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Answer ALL questions. Write your answers in the spaces provided.

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

1 *Backyard Shoez* is a retail business located in Nairobi, Kenya. It sells a wide range of shoes, handbags and accessories for ladies only. *Backyard Shoez* has three shops in Nairobi. The shops are located in a busy shopping centre where there are other shoe shops.

(Source adapted from: https://backyardshoez.co.ke/)

(a) (i) Which **one** of the following is a method of secondary market research?

(1)

Select **one** answer.

☒ **A** Questionnaires

☒ **B** Government reports

☒ **C** Surveys

☒ **D** Focus groups

(ii) Which **one** of the following could be a financial objective for the owners of *Backyard Shoez*?

(1)

Select **one** answer.

☒ **A** Personal satisfaction

☒ **B** Increased production quality

☒ **C** Increased market share

☒ **D** Loyal employees

(iii) Which **one** of the following is an external source of finance for the owner of a business?

(1)

Select **one** answer.

☒ **A** Bank loan

☒ **B** Retained profit

☒ **C** Personal savings

☒ **D** Selling assets

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(iv) Which functional area would be responsible for quality control?

(1)

Select **one** answer.

- ☒ **A** Marketing
- ☒ **B** Human Resources
- ☒ **C** Production
- ☒ **D** Administration

In February 2018 *Backyard Shoez* imported 50 handbags from Italy. Each handbag cost them €20.

The exchange rate In February 2018 was €1 = 124.48 Kenyan Shillings (Ks).

(v) How much did *Backyard Shoez* have to pay in Kenyan Shillings for each handbag imported in February 2018?

(1)

Select **one** answer.

- ☒ **A** 2 489.60
- ☒ **B** 6 224.00
- ☒ **C** 24 896.00
- ☒ **D** 124 480.00

In September 2018 the exchange rate was €1 = 117.79 Ks.

(vi) What effect would this exchange rate have on *Backyard Shoez* if the cost of an imported handbag remained at €20?

(1)

Select **one** answer

- ☒ **A** Import costs would be unchanged
- ☒ **B** Net cash flow would improve
- ☒ **C** The price of the handbags in euros would rise
- ☒ **D** The cost of importing a handbag would fall

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(b) Define the term **stakeholder**.

(1)

.....

.....

(c) Define the term **quantitative data**.

(1)

.....

.....

(d) State **one** method *Backyard Shoez* could use for on-the-job training.

(1)

.....

.....

Figure 1 is an extract from the statement of Profit or Loss Account of Backyard Shoez.

	Ks
Revenue	570 000
Cost of goods sold	67 500
Direct labour	2 000
Total cost of sales	69 500
Gross profit	500 500

Figure 1

(e) Calculate the gross profit margin to 2 decimal places. You are advised to show your working.

(2)

.....%

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(f) Explain **one** way a business could increase its **gross profit margin**.

(3)

(g) Analyse the importance to *Backyard Shoez* of satisfying customer needs.

(6)

(Total for Question 1 = 20 marks)

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2 *Backyard Shoez* is now planning to sell shoes to men and children as well as ladies.

(a) State **one** fringe benefit that *Backyard Shoez* can offer its employees.

(1)

(b) State **one** benefit to *Backyard Shoez* of using off-the-job training.

(1)

(c) Explain **one** reason why many businesses have a human resource functional area.

(3)

(d) Explain **one** method of above the line promotion a business could use.

(3)

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(e) Explain **one** way the product life cycle can be extended.

(3)

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Backyard Shoez wants to motivate its employees. It is considering two options:

Option 1: bonus payments

Option 2: job enrichment.

(f) Justify which **one** of these two options *Backyard Shoez* should use.

(9)

(Total for Question 2 = 20 marks)

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3 *Backyard Shoez* is analysing its financial position before it begins selling shoes to men and children.

(a) Define the term **profit**.

(1)

.....

.....

(b) Outline **one** impact on *Backyard Shoez* if interest rates increase.

(2)

.....

.....

.....

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Backyard Shoez's monthly fixed costs are 100 000 Ks with a variable cost of 3 500 Ks for a pair of shoes, at a selling price of 4 300 Ks.

(c) Calculate the break-even point. You are advised to show your working.

(2)

.....Ks

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(d) Analyse the benefits to *Backyard Shoez* of using break-even analysis to plan the launch of its new shoes for men and children.

(6)

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In order to start selling shoes to men and children *Backyard Shoez* will need additional finance.

The owners are considering the following two options:

Option 1: crowdfunding

Option 2: overdraft.

(e) Justify which **one** of these options *Backyard Shoez* should use.

(9)

(Total for Question 3 = 20 marks)

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4 *Backyard Shoez* buys children's shoes for 2 400 Ks and sells them for 3 200 Ks.

(a) Calculate the markup on these shoes. You are advised to show your working.

(2)

.....%

(b) Analyse the usefulness of profitability ratios to *Backyard Shoez.*

(6)

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(c) Evaluate the importance of primary market research to *Backyard Shoez*. You should use the information provided as well as your own knowledge of business.

(12)

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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