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Write your name here

Surname	Other names

Pearson Edexcel International GCSE

Centre Number	Candidate Number

Business Studies

Wednesday 24 May 2017 – Morning
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.*

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.*
- 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 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

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

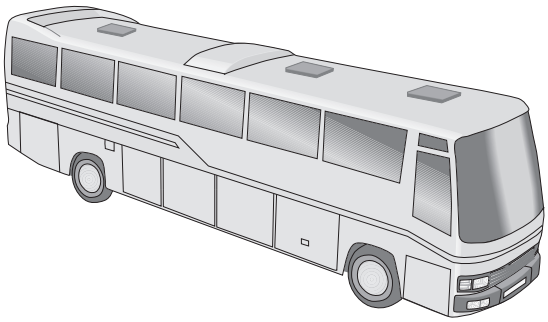
Acid Test Ratio

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

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Sunita and Ben are partners in a business, called *Hugan's Travel* that they started in 2000. They formed a partnership to hire out coaches for the local area. Sunita used to drive a single coach for school journeys, day trips, excursions and transferring workers to and from different locations. Ben worked part-time, completing all the paperwork for the business. As the business grew, both Sunita and Ben had to spend more of their time driving. It then became too much for them so they employed three additional drivers; one full-time and two part-time. Occasionally, some drivers were hired as casual employees.

Since 2005, Sunita and Ben have worked full-time in the office along with two other members of staff. They rent offices in an old building that has garage space for the coaches. One of their business objectives is to be as 'environmentally friendly' as possible.

In 2007, the business changed into a private limited company called *Hugan's Travel Limited* (*HTL*). The successful business now owns a fleet of 50 coaches that it hires out to customers and other businesses.

Sunita and Ben are now considering whether to continue expanding *HTL* by becoming a public limited company. If they do this, they will need to purchase at least 25 new coaches. This would require a large investment of finance that *HTL* does not have at the moment.

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SECTION A

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 (a) (i) When Sunita and Ben started *HTL* as partners they had

(1)

- ☒ **A** local liability
- ☒ **B** national liability
- ☒ **C** limited liability
- ☒ **D** unlimited liability

(ii) Coach drivers applying for a job at *HTL* would complete

(1)

- ☒ **A** a job description
- ☒ **B** a person specification
- ☒ **C** a curriculum vitae
- ☒ **D** an application form

(iii) Money coming into and going out of *HTL* is

(1)

- ☒ **A** a mortgage
- ☒ **B** break-even
- ☒ **C** cash flow
- ☒ **D** profit and loss

(iv) Which method of training is carried out when an employee starts at *HTL*?

(1)

- ☒ **A** induction
- ☒ **B** on-the-job
- ☒ **C** off-the-job
- ☒ **D** government schemes

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(v) Which of the following applies **only** to a public limited company?

(1)

- ☒ **A** controlled by the government
- ☒ **B** shares traded on the stock exchange
- ☒ **C** minimum number of owners is seven
- ☒ **D** restriction in the transfer of shares

(b) (i) Using an example, describe how Sunita and Ben could motivate their staff financially.

(2)

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(ii) Identify the sector in which *HTL* operates.

(1)

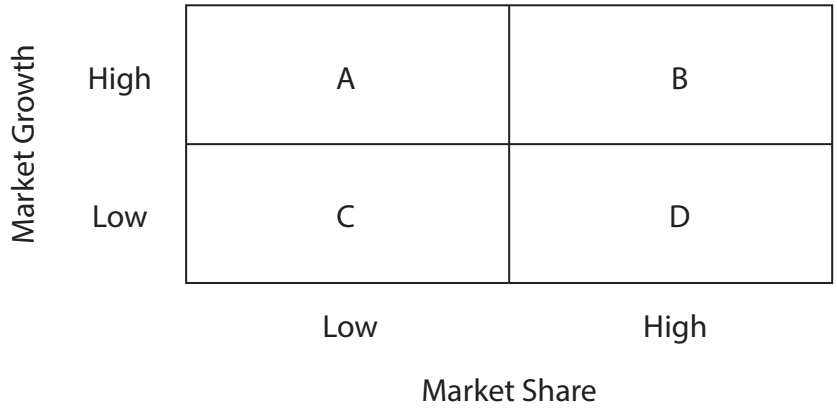
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The Boston Matrix helps a business analyse the products and services it markets.

BOSTON MATRIX



(c) Using the diagram, identify the **four** categories of the Boston Matrix.

(4)

A .....

B .....

C .....

D .....

(d) (i) State **two** advantages for *HTL* of changing to a public limited company.

(2)

1 .....

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2 .....

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(ii) State **two** disadvantages for *HTL* of changing to a public limited company, other than having to publish its accounts.

(2)

1 .....

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2 .....

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(e) Analyse why having to publish accounts could be a disadvantage for *HTL* if it changed to a public limited company.

(4)

(Total for Question 1 = 20 marks)

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2 Sunita and Ben have to ensure that they keep very accurate and detailed accounts for their business, such as items shown on Balance Sheets.

(a) (i) Give **two** examples of current assets.

(2)

1 .....

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2 .....

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Capital is often divided into two types, working capital and fixed capital.

(ii) Outline **two** reasons why working capital is needed.

(2)

1 .....

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2 .....

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The table below shows an extract of *HTL's* financial position.

	2016	**2015**
	£	**£**
Turnover	23 500	18 400
Cost of Sales	12 500	10 100
Gross Profit	11 000	8 300
Net Profit	4 600	3 200
Current Assets	13 600	11 900
Current Liabilities	8 700	7 800
Capital Employed	20 000	18 000

(b) Calculate the Return On Capital Employed (ROCE) for 2016.

(1)

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(c) What would this ROCE ratio indicate to shareholders such as Sunita and Ben?

(5)

(d) Discuss the benefits of financial information for making business decisions.

(6)

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If *HTL* expands rapidly, there will be diseconomies of scale. One of these diseconomies of scale might be communication.

(e) Consider **two** ways that this diseconomy of scale could be managed.

(4)

1 .....

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2 .....

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(Total for Question 2 = 20 marks)

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3 Governments can introduce laws to ensure consumers are protected when dealing with businesses.

(a) Name **two** laws that protect consumers.

(2)

1 .....

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2 .....

.....

Another piece of legislation that affects businesses is competition policy.

(b) Explain how competition policy could help *HTL*.

(4)

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In 2017, the UK Government had a number of methods to help businesses become more environmentally friendly. One method was to help businesses that invest in renewable energy, such as solar power.

(c) Justify why *HTL* should invest in renewable energy.

(6)

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The government raises direct tax (e.g. income tax) and indirect tax (e.g. sales tax/VAT). Both types of tax will influence what *HTL* offers its customers, how customers use the business and the effect on its profits.

Method 1 – direct tax

Method 2 – indirect tax

Select the method that you think would have the most influence on *HTL*.

(d) Discuss your reasons for the method chosen.

(8)

(Total for Question 3 = 20 marks)

TOTAL FOR SECTION A = 60 MARKS

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SECTION B

4 *HTL* purchases computers and software for use in its offices. *HTL* prefers not to use profit or bank loans to fund these purchases.

(a) (i) Explain **one other** suitable source of finance that could be used for these purchases.

(3)

(ii) Analyse **two** drawbacks if *HTL* decided to use its profit to purchase computers and software.

(4)

1

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Technology is changing all the time and has a huge impact on businesses. New technology can mean more costs for *HTL*. Sunita and Ben know that they will have to keep up to date with these changes, otherwise they may lose custom to other businesses.

(b) Evaluate the costs and benefits of new technology for *HTL*.

(8)

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There are many decisions that businesses have to make and *HTL* is keen to show that it is environmentally friendly. One decision is to use a fuel with low carbon emissions for its vehicles. This fuel could be more expensive to purchase than other fuels.

(c) Discuss why *HTL* should change to the low carbon emission fuel.

(5)

(Total for Question 4 = 20 marks)

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5 If *HTL* does expand, it will need to increase its promotion.

(a) (i) Using an example, show how *HTL* could use below-the-line promotion.

(2)

(ii) How would your example benefit the business?

(3)

(b) Analyse why successful public relations is important to any business.

(5)

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HTL wants to expand. Before this can be done, further market research should be carried out. *HTL* must decide which method of market research it will use.

HTL is considering using either:

Option 1 – primary research

Option 2 – secondary research

Select **one** of these options.

(c) 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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