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Write your name here

Surname	Other names

Pearson Edexcel
International GCSE

Centre Number | | | | | |

Candidate Number | | | | |

Business Studies

Wednesday 23 May 2018 – 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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Max owns a business called *Maximillians's Music Emporium (MME)*. *MME* sells rare records from a shop in a busy high street.

Max has run *MME* for six years. He sells a wide range of rare records and has an excellent reputation. His reputation has meant that customers in the UK trust him, as do the growing number of customers from the rest of the world.

Max has noticed that more of his customers (in the UK and Worldwide) are now buying records online rather than visiting his shop. Max has a very simple website. He will need to develop this website if he is to meet the increasing demand from customers buying records online. At the moment, customers who buy online are creating work only for Max, as he is the one who packs and posts the records bought, once the shop has closed.

Max plans to keep his high street shop open and rent storage space for his large stock of rare records in another part of the town where costs will be cheaper. Max is going to develop his website, so that buying rare records online becomes easier. To do this, he will have to take on two new members of staff; one to develop and manage the new website and the other to handle online sales.

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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) Which **one** of the following is a variable cost for *MME*?

(1)

- ☒ **A** Rent
- ☒ **B** Salaries
- ☒ **C** Insurance
- ☒ **D** Shipping costs

(ii) Which **one** of the following would be used in the recruitment process?

(1)

- ☒ **A** Business plan
- ☒ **B** Person description
- ☒ **C** Job description
- ☒ **D** Job enrichment

(iii) Which **one** of the following is an example of a long-term source of finance?

(1)

- ☒ **A** Sales revenue
- ☒ **B** Reinvested profit
- ☒ **C** Trade credit
- ☒ **D** Bank overdraft

(iv) Which **one** of the following is a form of discrimination where workers are protected by legislation?

(1)

- ☒ **A** Political
- ☒ **B** Ethical
- ☒ **C** Age
- ☒ **D** Ability

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(v) If Max asked an employee to carry out a task that he would usually do, this is known as

(1)

- ☒ **A** productivity
- ☒ **B** job share
- ☒ **C** span of control
- ☒ **D** delegation

(b) State the sector of activity that *MME* operates in.

(1)

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MME is a labour-intensive business.

(c) What is meant by the term 'labour-intensive'?

(3)

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(d) Match the definition on the left with the correct term on the right.

The first one has been done for you.

(5)

	Definition
i	A visual means of showing where a product is positioned.
ii	Groups or individuals with an interest in a business.
iii	Information that has previously been collected.
iv	The right given by one business to another to use its name to sell its products for a fee.
v	The document that shows money going in and out of a business over a period of time.
vi	The increase in the average price level of goods and services over time.

	Term
A	Shareholders
B	Franchise
C	Inflation
D	Secondary data
E	Market mapping
F	Qualitative data
G	Cash flow forecast
H	Stakeholders
I	Current assets

(i) E

(ii) .....

(iii) .....

(iv) .....

(v) .....

(vi) .....

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(e) (i) List **three** written forms of communication, other than a letter, that *MME* could use when communicating with its employees.

(3)

1 .....

2 .....

3 .....

(ii) Why might *MME* use a letter to communicate with an employee?

(3)

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(Total for Question 1 = 20 marks)

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2 Max knows that businesses should have objectives.

(a) (i) Why are objectives important to a business?

(2)

An objective for *MME* is wealth creation.

(ii) Analyse **two** effects on *MME* of achieving this objective.

(4)

1

2

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Max needs more space for his stock of records.

(b) (i) Give **two** advantages of having a large quantity of stock.

(2)

1 .....

.....

2 .....

.....

(ii) Give **two** disadvantages of having a large quantity of stock.

(2)

1 .....

.....

2 .....

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(c) Discuss **two** ways *MME* could measure its success.

(4)

1 .....

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2 .....

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Max is thinking of using Electronic Point of Sale (EPOS) in his shop.

(d) (i) What is EPOS?

(2)

(ii) Assess the benefits that EPOS could bring to *MME*.

(4)

(Total for Question 2 = 20 marks)

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3 Max has realised that he needs to promote his business locally. He is thinking of using one of the two methods below.

Option A – The use of coloured advertisements in a local paper.

Option B – Giving out leaflets in the town centre.

Select **one** of these options.

(a) Analyse why you have chosen this option.

(6)

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MME has a good reputation with its customers and now Max wants to improve public relations with the local community.

(b) (i) State **two** methods, other than sponsorship, that Max could use to improve *MME*'s public relations.

(2)

1 .....

.....

2 .....

.....

MME is considering sponsoring a local football team.

(ii) Examine **two** ways this could improve *MME*'s public relations.

(4)

1 .....

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(c) Evaluate the advantages and disadvantages to *MME*'s customers if Max only sells online.

(8)

(Total for Question 3 = 20 marks)

TOTAL FOR SECTION A = 60 MARKS

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SECTION B

4 The break-even point can be stated in two ways.

(a) State the **two** ways.

(2)

1 .....

.....

2 .....

.....

An extract from *MME*'s financial situation for 2016–2017

	2016 000s	2017 000s
Current assets		
Stock	3 800	2 500
Debtors	4 000	1 500
Cash	300	500
Current liabilities		
Creditors	4 000	4 000

(b) (i) Calculate *MME*'s acid test ratio for 2016 and 2017.

(2)

2016

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2017

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(ii) Analyse the changes in *MME*'s acid test ratio between 2016 and 2017.

(8)

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When *MME* trades abroad, it is affected by exchange rates.

(c) (i) What is meant by exchange rates?

(2)

(ii) Assess the likely effects on *MME* if the value of the pound (£) increases.

(6)

(Total for Question 4 = 20 marks)

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5 *MME* still has its high street shop. Max believes he might achieve more sales and become more competitive if he closes the high street shop.

(a) Analyse if closing the high street shop would be the correct decision for Max.

(4)

Max knew *MME's* website was too simple. He has spent money on developing and improving it.

(b) How could Max judge if the new website is successful?

(6)

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MME is successful but has a negative cash flow problem. Max believes that this problem is temporary and could be solved by using a short-term source of finance.

Which of the options do you believe would be the most appropriate for Max?

Option 1 – taking out an overdraft.

Option 2 – borrowing from his family and friends.

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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