www.dynamicpapers.com

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel International GCSE

Centre Number | Candidate Number

Thursday 21 May 2020

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 ▶

P62426A

©2020 Pearson Education Ltd.

1/1/1/e2/1/

P 6 2 4 2 6 A 0 1 2 0

Pearson

www.dynamicpapers.com

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

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

Mark up:

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

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:

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

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

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 *The Alternative Drum School (TADS)* was set up in the wealthy area of Cricklade, England in 2008 by Ollie Tanner who had a passion for and enjoyed drumming. Ollie invested all of his savings into the drumming school. He saw the potential of being located away from other drumming schools.

Ollie promotes his business by writing columns in local papers, performing at local music festivals and by word of mouth recommendations. He has invested heavily in computer technology to allow students to produce the music they enjoy playing.

Ollie finds it difficult to maintain a good work-life balance. Ollie currently works 60 hours a week in a business that does not have reliable profits.

(a) (i) Which **one** of the following could a sole trader pay on its profits?

(1)

Select **one** answer.

☒ **A** Sales tax

☒ **B** Income tax

☒ **C** Corporation tax

☒ **D** Indirect tax

(ii) Which **one** of the following is a variable cost?

(1)

Select **one** answer.

☒ **A** Insurance

☒ **B** Rent

☒ **C** Salaries

☒ **D** Packaging

www.dynamicpapers.com

(iii) Which **one** of the following is a method of primary market research?

(1)

Select **one** answer.

- ☒ **A** Newspaper articles
- ☒ **B** Government statistics
- ☒ **C** Focus groups
- ☒ **D** Internet research

(iv) Which **one** of the following is used to calculate net cash flow?

(1)

Select **one** answer.

- ☒ **A** Total cash inflow – total cash outflow
- ☒ **B** Total cash inflow + total cash outflow
- ☒ **C** Opening balance – closing balance
- ☒ **D** Opening balance + closing balance

TADS has developed contracts with drumming schools in other countries to teach online music lessons.

An Italian drumming school has agreed that *TADS* can teach five lessons per week. Each lesson costs £15 for half an hour. The exchange rate in January 2019 was £1 = €1.15.

(v) What will the Italian drumming school pay in euros (€) for these five lessons?

(1)

Select **one** answer.

- ☒ **A** €5.75
- ☒ **B** €15.00
- ☒ **C** €75.00
- ☒ **D** €86.25

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

In May 2019 the exchange rate was £1 = €1.05. *TADS* continued to provide the Italian drumming school with five lessons a week.

(vi) What effect would this change in the exchange rate have on the Italian drumming school?

(1)

Select **one** answer.

- ☒ **A** A decrease in cash outflows
- ☒ **B** An increase in import costs
- ☒ **C** A decrease in revenue
- ☒ **D** An increase in the internet costs

(b) Define the term **fixed costs**.

(1)

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

(1)

(d) State **one** benefit to *TADS* of investing in computer technology.

(1)

www.dynamicpapers.com

TADS buys a drum kit for £190 and sells it for £350.

(e) Calculate, to two decimal places, the mark up on this drum kit.

(2)

..... %

(f) Explain **one** disadvantage of being in a partnership.

(3)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(g) Analyse the importance of location for *TADS*.

(6)

(Total for Question 1 = 20 marks)

www.dynamicpapers.com

2 *TADS* is looking to expand by offering lessons in other musical instruments.

(a) State **one** reason why this could lead to the business failure of *TADS*.

(1)

(b) State **one** benefit to *TADS* of using casual staff to teach music lessons.

(1)

(c) Explain **one** purpose of market research for a business.

(3)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(d) Explain **one** way to measure the success of a business.

(3)

(e) Explain **one** impact of an increase in interest rates on a business.

(3)

www.dynamicpapers.com

TADS currently pays its music teachers an hourly rate for every lesson they teach. It is looking to retain the teachers it currently employs.

It is considering the following two options:

Option 1: commission for each new pupil taught

Option 2: an increase in the hourly rate.

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

(9)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(Total for Question 2 = 20 marks)

www.dynamicpapers.com

3 One of *TADS'* objectives is to expand by giving lessons for different musical instruments. To do this it will need to analyse its financial position.

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

(1)

(b) Outline **one** possible financial objective, other than revenue, that *TADS* might have.

(2)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Figure 1 shows an extract from the cash flow forecast for *TADS*.

	February (£)
Opening balance	4 000
Cash inflow	7 000
Cash outflow	3 000
Net cash flow	
Closing balance	

Figure 1

(c) Calculate the closing balance for February. You are advised to show your working.

(2)

£.....

www.dynamicpapers.com

(d) Analyse the importance of cash to *TADS*.

(6)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

TADS is looking to increase its revenue.

TADS is considering the following **two** options:

Option 1: teach other musical instruments

Option 2: increase the number of online drum lessons.

(e) Justify which **one** of these two options *TADS* should choose.

(9)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

(Total for Question 3 = 20 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

4 The minimum wage in the UK is £7.70. The UK Government is looking to increase this by 2.5%.

(a) Calculate the new minimum wage after an increase of 2.5%. You are advised to show your working.

(2)

£.....

www.dynamicpapers.com

(b) Analyse the benefits for *TADS* of using below-the-line promotion.

(6)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

At the moment *TADS* operates as a sole trader. As it becomes more successful Ollie is considering becoming a private limited company.

(c) Evaluate whether *TADS* should consider becoming a private limited company. You should use the information provided as well as your own knowledge of business.

(12)

www.dynamicpapers.com

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA