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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

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.*
- Calculators may be used.

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.*

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.
- Good luck with your examination.

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 *Nantgwynfaen Organic Farm (NOF)* is a farm growing a range of fruit and vegetables. It has a farm shop and offers accommodation with breakfast. It was set up by Amanda and Ken Edwards in West Wales, UK.

NOF supports farmers by selling local organic produce in its farm shop. The produce from the farm shop is served to the visitors staying overnight at the farm.

NOF is committed to being environmentally friendly by recycling, avoiding the use of packaging and reducing the use of electricity.

(a) (i) Which **one** of the following is an external source of finance?

(1)

Select **one** answer.

☒ **A** Personal savings

☒ **B** Retained profit

☒ **C** Bank loan

☒ **D** Selling assets

(ii) Which **one** of the following is the name of a pricing strategy where a business sets a high price for a new product in the market?

(1)

Select **one** answer.

☒ **A** Penetration

☒ **B** Skimming

☒ **C** Competition

☒ **D** Promotional

(iii) Which **one** of the following types of discrimination is protected by legislation?

(1)

Select **one** answer.

☒ **A** Age

☒ **B** Ability

☒ **C** Social

☒ **D** Ethical

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(iv) Which **one** of the following is a document employers would send to potential employees?

(1)

Select **one** answer.

- ☒ **A** Curriculum vitae
- ☒ **B** Letter of application
- ☒ **C** Newspaper advertisement
- ☒ **D** Person specification

NOF imports dried fruit from France. A kilogram (kg) costs €12.84.

The exchange rate is £1 (Pound sterling) = €1.16 (Euro).

(v) Which **one** of the following would *NOF* pay for 1kg of dried fruit in pounds sterling?

(1)

Select **one** answer.

- ☒ **A** £1.16
- ☒ **B** £11.07
- ☒ **C** £12.84
- ☒ **D** £14.00

NOF buys honey from a local farm for £1.60 a jar and sells it to customers for £3.60.

(vi) What is the markup on a jar of honey?

(1)

Select **one** answer

- ☒ **A** 1.6%
- ☒ **B** 2%
- ☒ **C** 125%
- ☒ **D** 250%

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

(1)

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(c) Define the term **non-current liabilities**.

(1)

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.....

(d) State **one** reason why *NOF* segments its target market by income.

(1)

.....

.....

.....

Figure 1 is an extract from *NOF*'s statement of comprehensive income.

	£000s
Revenue	160
Cost of sales	70
Gross profit	90
Other operating expenses	10

Figure 1

(e) Calculate the operating profit margin. You are advised to show your working.

(2)

.....%

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(f) Explain **one** strategy a small business might use to extend the product life cycle of one of its products.

(3)

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(g) Analyse the importance of marketing to *NOF*.

(6)

(Total for Question 1 = 20 marks)

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The demand for *NOF* products can be affected by external factors.

2 (a) State **one** external factor that could cause a change in demand for *NOF* products.

(1)

(b) State **one** reason *NOF* might use other retailers to sell its products.

(1)

(c) Explain **one** benefit to a business of using secondary market research.

(3)

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(d) Explain **one** limitation of a cash flow forecast when making business decisions.

(3)

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

(3)

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NOF has recently harvested its corn crop. It intends to turn the corn into popcorn called '*NOF* pop' to sell in the farm shop and through local retailers.

NOF is considering two options to introduce the product into the market:

Option 1: offering a low introductory price for three months

Option 2: selling at the same price as competitors.

(f) Justify which **one** of these two options *NOF* should choose.

(9)

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(Total for Question 2 = 20 marks)

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3 (a) Define the term **remuneration**.

(1)

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(b) Outline **one** reason why *NOF* would choose to use seasonal staff when harvesting its products.

(2)

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.....

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.....

.....

NOF is looking to expand its product range by making and selling tubs of ice cream.

A tub of ice cream will sell for £2.50.

Variable costs will be £1.10 per tub of ice cream with fixed costs of £77 per day.

(c) Calculate the number of tubs of ice cream *NOF* will have to sell each day to break-even. You are advised to show your working.

(2)

.....Tubs of ice cream

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(d) Analyse how useful break-even calculations can be for *NOF* when deciding whether to include ice cream in its product range.

(6)

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NOF is looking to increase the number of visitors to the farm. It will need to carry out some research as to what potential visitors will want.

To do this *NOF* is considering two options:

Option 1: handing out questionnaires at local retailers

Option 2: using the internet to research other farms.

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

(9)

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(Total for Question 3 = 20 marks)

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4 **Figure 2** is an extract from *NOF*'s financial information for 2020.

	£
Current assets	300 000
Stock	50 000
Current liabilities	220 000

Figure 2

(a) Calculate, to 2 decimal places, the current ratio for 2020. You are advised to show your working.

(2)

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(b) Analyse the benefits to *NOF* of using personal savings to expand its product range.

(6)

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(c) Evaluate the factors that *NOF* might consider when measuring the success of its farm shop. You should use the information provided as well as your own knowledge of business.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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Acknowledgement

Question 1 source from: www.organicfarmwales.co.uk