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# Pearson Edexcel International GCSE

## Monday 13 November 2023

Morning (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.*
- Calculators 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:**

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

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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** *As We Grow* (*AWG*) is a clothing business in Iceland. The social objective of the business is to use natural materials, such as wool, and produce environmentally friendly products. It aims to design clothes that will last a long time, to encourage families to buy fewer clothes and reduce waste in society.

*AWG*'s increasing product range now includes jumpers, dresses, shirts and baby clothes. These are produced in small workshops that employ family and friends. Waste is kept to a minimum and any leftover material is used to make scarves and hats. The business has one store in Iceland. It uses its website to advertise and sell its clothing online to customers in other countries. The business has received the Icelandic Design Award for its contribution to the environment.

(a) (i) Which **one** of the following is shown on the statement of financial position?

Select **one** answer.

**(1)**

☒ **A** Sales

☒ **B** Cost of sales

☒ **C** Current assets

☒ **D** Gross profit

(ii) Which **one** of the following is an element of the marketing mix?

Select **one** answer.

**(1)**

☒ **A** Price

☒ **B** Partnership

☒ **C** Production

☒ **D** Profit

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A business has fixed costs of £6 000 a month. Variable costs are £5 per unit and 8,000 units are made each month.

(iii) Which **one** of the following is the total monthly cost?

Select **one** answer.

**(1)**

- ☒ **A** £ 6 005
- ☒ **B** £14 000
- ☒ **C** £30 000
- ☒ **D** £46 000

(iv) Which **one** of the following job roles is most likely to be associated with capital-intensive production?

Select **one** answer.

**(1)**

- ☒ **A** Hairdresser
- ☒ **B** Car assembly worker
- ☒ **C** Soft fruit picker
- ☒ **D** Chef

(v) Which **one** of the following is an internal source of finance?

Select **one** answer.

**(1)**

- ☒ **A** Overdraft
- ☒ **B** Venture capital
- ☒ **C** Retained profit
- ☒ **D** Crowdfunding

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The currency of Iceland is the krona (ISK).

*AWG*'s weekly fixed costs are 440 000 ISK and the variable cost per jumper is 2 500 ISK. Each jumper is sold for 8 000 ISK.

(vi) Which **one** of the following is the weekly break-even point?

Select **one** answer.

**(1)**

- ☒ **A** 8
- ☒ **B** 55
- ☒ **C** 80
- ☒ **D** 176

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

**(1)**

(c) Define the term **span of control**.

**(1)**

(d) State **one** likely variable cost for *AWG*.

**(1)**

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*AWG* sells a woman's jumper on its international website for $329. *AWG* had a promotional sale and offered a discount of 25% on the price of jumpers.

(e) Calculate, to two decimal places, the new price of the jumper in the promotional sale. You are advised to show your working.

**(2)**

$.....

(f) Explain **one** benefit to a business that operates as a sole trader.

**(3)**

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(g) Analyse the advantages to *AWG* of using e-commerce to sell its products.

**(6)**

**(Total for Question 1 = 20 marks)**

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**2** (a) State **one** non-financial method *AWG* may use to motivate its employees.

**(1)**

(b) State **one** task of an *AWG* employee working in the human resources department.

**(1)**

(c) Explain **one** benefit of globalisation to a small business.

**(3)**

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(d) Explain **one** method of below-the-line promotion a business may use to retain its customers.

**(3)**

(e) Explain **one** benefit to a business of using market segmentation to target its customers.

**(3)**

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If *AWG* expands its business in Iceland it may need to seek additional finance. It is considering two options:

**Option 1:** use venture capital to open new stores

**Option 2:** start offering franchises.

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

**(9)**

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**(Total for Question 2 = 20 marks)**

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**3** (a) Define the term **job production**.

**(1)**

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(b) Outline why *AWG* can be classified as operating in the secondary sector.

**(2)**

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In 2022, *AWG* borrowed 70 000 ISK from its bank. At the end of the year it paid back the loan with 6.5% interest.

(c) Calculate the total amount, including interest, *AWG* would have paid to the bank. You are advised to show your working.

**(2)**

.....ISK

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*AWG* is an importer and an exporter. It imports materials to make its jumpers and exports its clothing to international customers.

(d) Analyse the impact on *AWG* of a depreciation of the ISK.

**(6)**

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*AWG* is planning to launch a new range of clothing aimed at teenagers and younger adults. It is considering two pricing methods:

**Option 1:** competition pricing

**Option 2:** cost plus pricing.

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

**(9)**

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**(Total for Question 3 = 20 marks)**

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**4** *AWG* sells men's jumpers for 34 000 ISK. An employee who sells a jumper is rewarded with a commission payment. This is 2% of the price of the jumper.

(a) Calculate the commission payment paid to an employee selling 12 jumpers. You are advised to show your working.

**(2)**

.....ISK

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*AWG* is considering introducing Kaizen.

(b) Analyse how this could affect its business.

**(6)**

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*AWG*'s social objectives include the use of natural materials, being environmentally friendly and reducing waste.

(c) Evaluate the impact on *AWG* of having these social objectives when planning to grow the business. 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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