

Please check the examination details below before entering your candidate information

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|--|--------------------------------|
| Candidate surname                              | Other names                    |
| <b>Pearson Edexcel</b>                         | Centre Number                  |
| <b>International GCSE</b>                      | Candidate Number               |
| <b>Thursday 16 May 2019</b>                    |                                |
| Afternoon (Time: 1 hour 30 minutes)            | Paper Reference <b>4BS1/01</b> |
| <b>Business</b>                                |                                |
| <b>Paper 1: Investigating small businesses</b> |                                |
| <b>You do not need any other materials.</b>    | 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 ►

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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 *Backyard Shoez* is a retail business located in Nairobi, Kenya. It sells a wide range of shoes, handbags and accessories for ladies only. *Backyard Shoez* has three shops in Nairobi. The shops are located in a busy shopping centre where there are other shoe shops.

(Source adapted from: <https://backyardshoez.co.ke/>)

- (a) (i) Which **one** of the following is a method of secondary market research? (1)

Select **one** answer.

- A Questionnaires
- B Government reports
- C Surveys
- D Focus groups

- (ii) Which **one** of the following could be a financial objective for the owners of *Backyard Shoez*? (1)

Select **one** answer.

- A Personal satisfaction
- B Increased production quality
- C Increased market share
- D Loyal employees

- (iii) Which **one** of the following is an external source of finance for the owner of a business? (1)

Select **one** answer.

- A Bank loan
- B Retained profit
- C Personal savings
- D Selling assets

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(iv) Which functional area would be responsible for quality control?

(1)

Select **one** answer.

- A Marketing
- B Human Resources
- C Production
- D Administration

In February 2018 *Backyard Shoez* imported 50 handbags from Italy. Each handbag cost them €20.

The exchange rate in February 2018 was €1 = 124.48 Kenyan Shillings (Ks).

(v) How much did *Backyard Shoez* have to pay in Kenyan Shillings for each handbag imported in February 2018?

(1)

Select **one** answer.

- A 2 489.60
- B 6 224.00
- C 24 896.00
- D 124 480.00

In September 2018 the exchange rate was €1 = 117.79 Ks.

(vi) What effect would this exchange rate have on *Backyard Shoez* if the cost of an imported handbag remained at €20?

(1)

Select **one** answer

- A Import costs would be unchanged
- B Net cash flow would improve
- C The price of the handbags in euros would rise
- D The cost of importing a handbag would fall



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

(1)

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(c) Define the term **quantitative data**.

(1)

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(d) State **one** method *Backyard Shoez* could use for on-the-job training.

(1)

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Figure 1 is an extract from the statement of Profit or Loss Account of Backyard Shoez.

|                     | Ks      |
|---------------------|---------|
| Revenue             | 570 000 |
| Cost of goods sold  | 67 500  |
| Direct labour       | 2 000   |
| Total cost of sales | 69 500  |
| Gross profit        | 500 500 |

**Figure 1**

(e) Calculate the gross profit margin to 2 decimal places. You are advised to show your working.

(2)

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(f) Explain **one** way a business could increase its **gross profit margin**.

(3)

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(g) Analyse the importance to *Backyard Shoez* of satisfying customer needs.

(6)

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(Total for Question 1 = 20 marks)



2 *Backyard Shoez* is now planning to sell shoes to men and children as well as ladies.

(a) State **one** fringe benefit that *Backyard Shoez* can offer its employees.

(1)

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(b) State **one** benefit to *Backyard Shoez* of using off-the-job training.

(1)

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(c) Explain **one** reason why many businesses have a human resource functional area.

(3)

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(d) Explain **one** method of above the line promotion a business could use.

(3)

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(e) Explain **one** way the product life cycle can be extended.

(3)

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*Backyard Shoez* wants to motivate its employees. It is considering two options:

**Option 1:** bonus payments

**Option 2:** job enrichment.

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

(9)

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3 *Backyard Shoez* is analysing its financial position before it begins selling shoes to men and children.

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

(1)

(b) Outline **one** impact on *Backyard Shoez* if interest rates increase.

(2)

*Backyard Shoez's* monthly fixed costs are 100 000 Ks with a variable cost of 3 500 Ks for a pair of shoes, at a selling price of 4 300 Ks.

(c) Calculate the break-even point. You are advised to show your working.

(2)

.....Ks



(d) Analyse the benefits to *Backyard Shoez* of using break-even analysis to plan the launch of its new shoes for men and children.

(6)

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In order to start selling shoes to men and children *Backyard Shoez* will need additional finance.

The owners are considering the following two options:

**Option 1:** crowdfunding

**Option 2:** overdraft.

(e) Justify which **one** of these options *Backyard Shoez* should use.

(9)

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4 Backyard Shoez buys children’s shoes for 2 400 Ks and sells them for 3 200 Ks.

(a) Calculate the markup on these shoes. You are advised to show your working.

(2)

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(b) Analyse the usefulness of profitability ratios to Backyard Shoez.

(6)

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(c) Evaluate the importance of primary market research to *Backyard Shoez*. You should use the information provided as well as your own knowledge of business. (12)

Area with horizontal dotted lines for writing the answer.

(Total for Question 4 = 20 marks)

**TOTAL FOR PAPER = 80 MARKS**

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