

Paper Reference(s)

XXXX/XX

Edexcel GCSE

Business

Unit 3: Building a Business

Sample Assessment Material

Time: 1 hour 30 minutes

Materials required for examination

Nil

Items included with question papers

Nil

Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initial(s) and signature.

Check that you have the correct question paper.

Answer **ALL** the questions. Write your answers in the spaces provided in this question paper.

Indicate which questions you are answering by marking the box ([X]).

If you change your mind, put a line through the box ([X]) and then indicate your new answer with a cross ([X]).

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2).

There are 11 questions in this question paper. The total mark for this paper is 90.

There are 21 pages in this question paper. Any blank pages are indicated.

You may not use a dictionary.

You may use a calculator.

Advice to Candidates

Quality of written communication will be taken into account in the marking of your responses to Questions 7(b) and 11. These questions are indicated with an asterisk. Quality of written communication includes clarity of expression, the structure and presentation of ideas and grammar,

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Section A
Answer ALL the questions

You should spend 40 minutes on this section

1.

- (a) The encouragement of repeat purchase ensures that products will be sold on a regular basis.

Repeat purchase is important because it:

- A allows a business to develop brand loyalty amongst its customers
- B helps to determine the selling price of a product
- C will help in the negotiation for lower priced raw materials
- D helps develop word of mouth advertising

Answer

(1)

- (b) Identify **three** ways in which a business might increase the likelihood of repeat purchase.

- 1.
- 2.
- 3.

(3)

- (c) Identify **one** way in which a business might collect quantitative market research data.

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(1)

(d) Explain how market research data might benefit a business.

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(3)

(Total 8 marks)



2.

(a) Claire Weller has been promoted from Assistant Supervisor to Shift Manager. She has been given an increase in her salary.

Which of the following best describes the term 'salary'?

- A A method of payment based in an annual figure which is paid monthly
- B A payment system based on the amount of units a worker produces
- C The payment given to workers in lieu of holiday
- D The financial reward gained from work

Answer

(1)

(b) State **two** possible drawbacks to an employee of a piece-rate system of payment.

- 1.
- 2.

(2)

(c) (i) Identify **one** way a business might use to motivate its employees.

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(1)

(ii) Explain how this way might lead to an increase in motivation.

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(3)

(iii) Explain how poor motivation can affect productivity in a business.

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(3)

(Total 10 marks)

3.

(a) The Boston Matrix is a highly valuable business tool because it:

- A allows businesses to identify key market segments
- B lets managers know of impending stock problems
- C lets businesses understand the needs and wants of their customers
- D helps businesses understand how their products are doing

Answer

(1)

(b) Identify **two** elements of the Boston Matrix.

1.

2.

(2)

(c) (i) What is meant by the term 'product portfolio'?

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(1)

(ii) Explain how managing a product portfolio can benefit a business.

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(3)

(iii) Describe the role of branding in a business.

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(3)

(Total 10 marks)

4.

(a) Which of the following is **not** a key factor in effective stock management?

- A The necessity for a thorough stock check at regular intervals
- B The effective training of all staff involved in stock handling
- C The static demand levels for products by customers
- D The need for the right level of buffer stock

Answer

(1)

(b) Identify **two** possible benefits of effective stock control to a business.

- 1.
- 2.

(2)

(c) Explain how using Just-in-Time stock control might not benefit a business.

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(3)

(d) Benchmarking and International Organization for Standardization (ISO) are two ways a business might use to increase quality.

Which of these do you think would be more successful in increasing sales and why?

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(6)

(Total 12 marks)

TOTAL FOR SECTION A: 40 MARKS



Section B
Answer ALL questions

You should spend 30 minutes on this section

Read the passage and then answer questions 5 –7

Jason and Balvir are planning to set up a restaurant in London. The restaurant scene in London is growing with a current total of 6,978 restaurants. This is continuing to rise with many new restaurants starting up each year. Equally, there are many who do not succeed and close within the first year.

Jason has been involved in catering now for over ten years and has come into contact with many restaurant owners, suppliers and customers. He has established many contacts and can draw from their knowledge to make the business a success.

Balvir has other qualities. She has experience in people management and human resources.

They have stressed that they are not looking to take on the likes of top chefs, such as Gordon Ramsay, (just yet!) and would like to start off relatively simply with a manageable restaurant that seats up to 60 people, serving good quality Mediterranean food.

Jason adds "...as long as we get the marketing mix right and don't make any risky decisions then I think we are onto a winner."

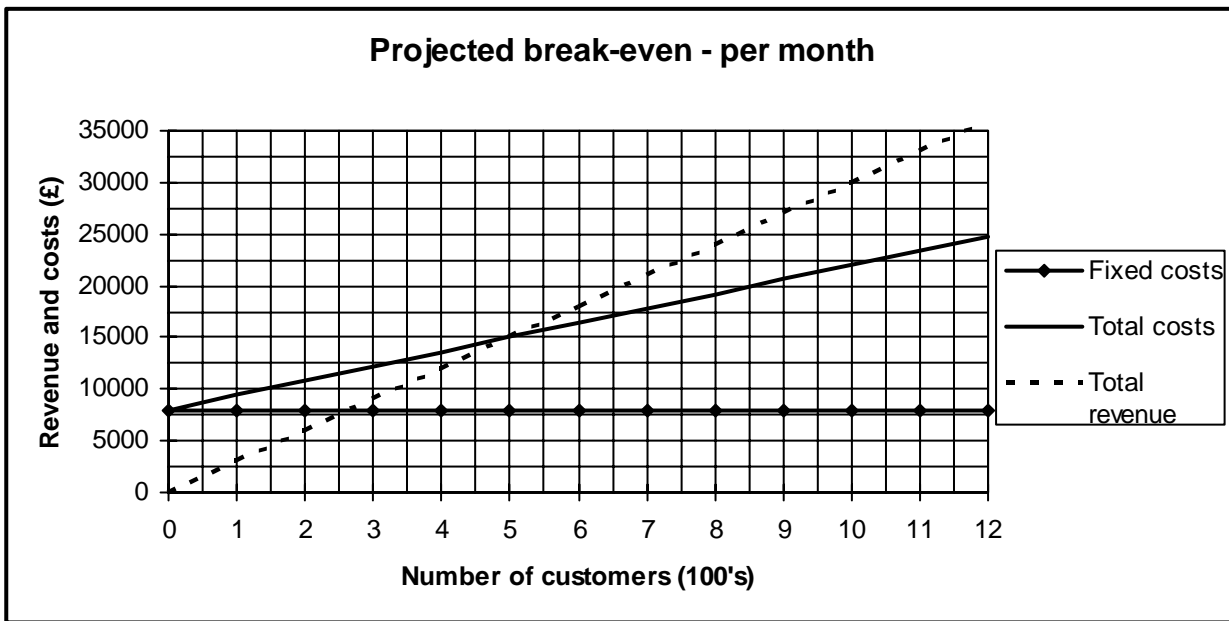


Jason and Balvir have decided to use break-even analysis as part of the planning for their business. They are planning to offer a set menu for a price of £30.

They have estimated their costs as:

- fixed costs = £8000
- variable costs are £14 per set menu

Balvir constructs the break-even chart below.



Note: change axis to make easier to read and make lines clearer

5.

(a) Define the term 'break-even point'.

..... (1)

(b) Using the graph above, how many customers do Jason and Balvir need to break even each month?

..... (1)

(c) What would be the monthly revenue earned by Jason and Balvir if they served 1000 customers a month?

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(1)

(d) What would be the profit or loss in pounds (£) if 650 customers were served?

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(1)

6.

(a) Jason thinks they should charge a price of £35 for the set menu.

Calculate the new break-even point. Give the formula and show your workings.

New break-even point: _____

(4)

(b) (i) Define the term ‘margin of safety’.

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(1)

(ii) Explain the relevance of margin of safety to Jason and Balvir’s business.

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(3)

(c) Jason believes that they should charge a price of £35 for the set menu. Balvir thinks £30 would be a more appropriate price.

In your opinion, which price would be more likely to help the business to survive the first year? Justify your answer.

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(8)

7.

(a) Identify **two** elements of the 'marketing mix'.

1.

2.

(2)

Section C
Answer ALL questions

You should spend 20 minutes on this section

Read the passage and then answer questions 8 – 11

Marks & Spencer is looking towards a greener future

Marks & Spencer (M&S) recently announced a long-term plan to develop its environmental policies with the intention of becoming a 'greener' retailer. It is aiming to:

- make its operations carbon neutral
- reduce to zero the amount of waste it sends to landfill
- become a more ethical trader
- promote healthy living

Risk to M&S

It is clear that there is a significant level of risk for M&S. It is estimated that the plan will cost M&S £200million over five years. The retail market is highly competitive and businesses cannot be seen to be charging higher prices than their rivals. Stuart Rose, the chief executive of M&S, believes that a responsible business can be a profitable business. He is confident that a greener and more planet-friendly image will generate additional sales.

Reaction of the customer

M&S claims that 97% of its 15 million customers want M&S to be more ethically responsible.

The strategy may well pay off but it all depends on the price. If M&S can achieve its aims without having to pass on the cost to customers in the form of higher prices, then M&S may well be onto a winner.

8. What is meant by the term 'ethics' in business?

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(2)

9. Give **two** effects on the environment of a business' activities.

1.
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2.
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(2)

10. Explain **two** reasons why businesses such as M&S, may be able to charge higher prices for products which are produced in a more ethically responsible way.

1.
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2.
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(6)

END OF PAPER