

Draft - subject to accreditation and change

Paper Reference(s)

**XXXX/XX**

# **Edexcel GCSE**

## **Business**

### **Unit 5: Introduction to Economic Understanding**

**Sample Assessment Material**

**Time: 1 hour 30 minutes**

**Materials required for examination**

Nil

**Items included with question papers**

Nil

#### **Instructions to Candidates**

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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**

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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 20 pages in this question paper. Any blank pages are indicated.

You may not use a dictionary.

You may use a calculator.

#### **Advice to Candidates**

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Quality of written communication will be taken into account in the marking of your responses to Questions 7, 8(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, punctuation and spelling.

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**Section A**  
**Answer ALL the questions**

**You should spend 35 minutes on this section**

Read the passage below carefully and then answer the following question that relates to the passage.

Lisa lives on one of the most run-down estates in the UK. She is unemployed and claims Job Seekers' Allowance and Income Support. She struggles to afford any luxuries. The council provides cheap housing and she can use her benefits to pay for basic living costs. Three miles away is one of the most exclusive housing developments in the country with houses costing in excess of £750,000.

**1.**

(a) Which of the following best describes the meaning of **relative** poverty?

It is where people like Lisa:

- A have no money
- B are unable to afford the basics of life
- C are unable to afford many luxuries
- D have to claim state benefits

Answer

**(1)**

(b) State **three** signs of **absolute** poverty.

- 1. ....
- 2. ....
- 3. ....

**(3)**

(c) (i) Identify **one** method the government could use to reduce **relative** poverty in the UK.

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**(1)**

(ii) Explain how this method would reduce relative poverty in the UK.

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**(3)**

**(Total 8 marks)**

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2.

(a) 'Inflation' is an increase in:

- A the size of an economy
- B the level of demand in an economy
- C the level of supply in an economy
- D the level of prices in an economy

Answer

(1)

(b) (i) Identify **three** possible causes of inflation.

- 1. ....
- 2. ....
- 3. ....

(3)

(ii) Explain **one** effect of inflation on a business.

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(3)

(c) Explain how an increase in the rate of interest by the Bank of England might reduce inflation.

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**(3)**

**(Total 10 marks)**

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3.

(a) Which of the following is a method of external growth available to a business?

- A Reinvesting profits
- B Merging with another business
- C Investing in research and development
- D Changing the marketing mix

Answer

(1)

(b) Identify **two** disadvantages of a business having monopoly power.

- 1. ....
- 2. ....

(2)

(c) Some businesses with monopoly power make large profits.

Explain how large profits could benefit the shareholders of the business.

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(3)

(d) Describe the role of the Competition Commission in controlling businesses with monopoly power.

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**(4)**

**(Total 10 marks)**

Read the passage below carefully and then answer the following question that relates to the passage.

**Is China choking on its own success?**

During the last decade, China has seen big increases in economic activity. This has led to an average economic growth rate of 8%. However with this boost to the economy, comes a huge increase in pollution and other negative externalities. For example, prices for oil, coal and gas have all surged following a huge Chinese demand for non-renewable resources.

4.

(a) Which of the following best describes the process of economic activity?

- A The amount of buying and selling over a period of time
- B The amount of money the government spends
- C The amount of consumer spending over a period of time
- D An increase in the number of businesses sold

Answer

(1)

(b) State **two** possible causes of economic growth in China.

- 1. ....
- 2. ....

(2)

(c) Explain how economic growth might improve the standard of living in China.

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**(3)**

(d) Pollution and the use of non-renewable resources are two drawbacks of economic growth.

Which of these do you think is the more serious and why?

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**(6)**

**(Total 12 marks)**

**TOTAL FOR SECTION A: 40 MARKS**

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**Section B**  
**Answer ALL questions**

**You should spend 30 minutes on this section**

Read the following article carefully and then answer questions 5-7.

**The rise of the mega-yachts**

Russian billionaire Roman Abramovich is rumoured to be purchasing a yacht measuring 130 metres long. It will have two helicopter pads, an internal swimming pool and an advanced security system.



Plymouth-based firm Princess Yachts International plc manufactures luxury yachts for both the UK and export markets. Despite being able to take advantage of lower production costs overseas, Princess Yachts continues to be loyal to the 1700 people it employs. The main reason for this loyalty is the high level of productivity generated in its Plymouth factory. Most of the parts they need are made in the UK and Europe. The business prides itself on the quality of its products. The business can be affected by changes in the exchange rate. However, customers like Roman Abramovich are not often concerned by higher prices; quality and luxury are their prime concerns.

Source adapted from: The Daily Telegraph 2007/Geoff Pugh

5.

(a) Identify **one** method Princess Yachts International plc could use to increase its productivity.

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(1)

(b) Explain how the method you identified in (a) could increase productivity.

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(3)

**(Total 4 marks)**

6. Identify **two** reasons why a business such as Princess Yachts International would benefit from increasing levels of productivity.

For each reason, explain how the business would benefit.

Reason 1 .....

Explanation .....

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**(4)**

Reason 2 .....

Explanation .....

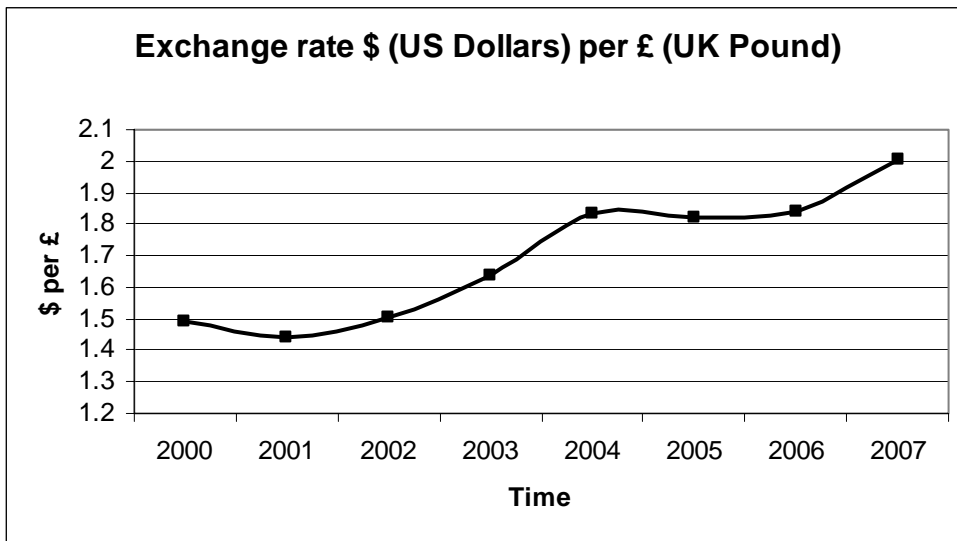
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**(4)**

**(Total 8 marks)**



8. Look at the graph below.



(a) Using an example from the graph, state what is meant by a 'strong pound'.

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(2)



**Section C**  
**Answer ALL questions**

**You should spend 25 minutes on this section**

Read the following passage carefully, then answer questions 9 - 11.

**Bebo acquired by AOL**

The social networking business, Bebo, has been acquired by media giant AOL in a takeover deal worth £417 million. AOL is part of the Time Warner group.

Bebo was set up by husband and wife duo Michael and Xochi Birch in 2005. The couple will get several hundred million dollars from the takeover deal.

AOL say that they think that the large user base of Bebo will help them make more money in the future from selling advertising on Bebo and they see it as a good deal.

Others are not quite so sure. Social networking sites like Bebo, MySpace and DoubleClick are being swallowed up by large media corporations and some have questioned whether they will retain their roots.

9. What is meant by the term 'takeover'?

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(2)

**10.** Identify **two** possible drawbacks of AOL becoming too big. For each drawback explain how it would affect AOL.

Drawback 1 .....

Explanation .....

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**(4)**

Drawback 2 .....

Explanation .....

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**(4)**

**(Total 8 marks)**



