

Write your name here

Surname

Other names

**Pearson Edexcel
International GCSE**

Centre Number

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Candidate Number

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Business Studies

Wednesday 20 May 2015 – Morning
Time: 2 hours

Paper Reference

4BS0/01

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.
- There are two sections for this paper – Section A and Section B.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*
- A calculator may be used.

Information

- The total mark for this paper is 100.
- 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.

Turn over ►

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FORMULAE FOR INTERNATIONAL GCSE BUSINESS STUDIES

Gross Profit Ratio

Gross Profit = Sales revenue – Cost of goods sold

$$\text{Gross Profit ratio} = \frac{\text{Gross profit}}{\text{Sales revenue}} \times 100$$

Net Profit Ratio

Net Profit = Gross Profit – Overheads

$$\text{Net Profit ratio} = \frac{\text{Net profit before tax}}{\text{Sales revenue}} \times 100$$

Return On Capital Employed (ROCE)

$$\text{ROCE} = \frac{\text{Net profit before tax}}{\text{Net capital employed}} \times 100$$

Current Ratio

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Acid Test Ratio

$$\text{Acid Test ratio} = \frac{\text{Current assets} - \text{Stock}}{\text{Current liabilities}}$$



Covers-up Ltd is a private limited company that manufactures leather covers for electronic items such as mobile phones, tablets, kindles and notebooks. The company supplies the covers to discount shops and department stores.

Covers-up Ltd has two UK factories. One in Newcastle; where the mobile phone covers are made. The other types of leather covers are manufactured 300 miles away from Newcastle, in the town of Hastings. Newcastle is the larger of the two factories, with the lowest labour costs. Where possible, raw materials are purchased in the UK.

Covers-up Ltd is constantly improving production methods and finding ways to reduce costs. Over the last two years the company has invested in new machines, which are cost effective and have increased production. These machines now carry out many of the jobs that people used to do. The leather covers continue to be made using batch production.

The company has been trading for several years and realises that it has to stay up-to-date as new mobile phones, tablets, kindles and notebooks are introduced into the market.

(Source: http://www.moleskine.com/en/news/moleskine_covers_for_iphone_and_ipad)



Answer ALL questions.

SECTION A

For each of the questions (i)–(v), choose an answer A, B, C, D and put a cross in a box ☒. Mark only one answer for each question. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) (i) Buying raw materials from another country is (1)

- A inventing
- B importing
- C exporting
- D exchanging

(ii) *Covers-up Ltd* is in the (1)

- A quarternary sector
- B tertiary sector
- C secondary sector
- D primary sector

(iii) A new employee at *Covers-up Ltd* would have health and safety training. This is part of (1)

- A induction training
- B motivational training
- C on the job training
- D off the job training

(iv) In a break-even graph, the break-even point is where (1)

- A total costs and fixed costs are the same
- B fixed costs and variable costs are the same
- C total costs and revenue are the same
- D fixed costs and revenue are the same



(v) *Covers-up Ltd* now employs fewer workers than it used to. This is because of

(1)

- A high unemployment
- B government incentives
- C the European Union
- D improved technology

Covers-up Ltd has a number of departments within the business. One of these is the Human Resources (Personnel) department.

(b) State **two** functions of the Human Resources (Personnel) department.

(2)

1

2

Covers-up Ltd uses expensive capital equipment and software in the business. To purchase this, it can either take out a bank loan or use retained profit (reinvestment of profit).

(c) (i) Describe what is meant by retained profit.

(2)

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Covers-up Ltd decided to use its retained profit.

(ii) Analyse **two** drawbacks of using retained profit.

(4)

1

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Covers-up Ltd may have some of the following as its objectives.

- 1 diversification
- 2 wealth creation
- 3 survival
- 4 profitability
- 5 market share

(d) Match these objectives with the correct definition below. The first one has been done for you.

(4)

- A adding value to resources and goods
- B the percentage of all sales in a market, held by one business
- C a business that is continuing to trade
- D aiming to maximise the amount of money on sales
- E businesses in completely different industries merge

1 = **E**

2 =

3 =

4 =

5 =

The directors of *Covers-up Ltd* are considering closing the factory in Hastings and moving all manufacturing to the Newcastle factory.

(e) Explain **one** benefit to *Covers-up Ltd* of having just one factory.

(3)

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(Total for Question 1 = 20 marks)



2 *Covers-up Ltd* is a private limited company. One of the advantages of a private limited company is limited liability.

(a) (i) Why is limited liability important to shareholders?

(3)

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(ii) Apart from limited liability, state **three** other advantages of forming a private limited company.

(3)

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The directors of *Covers-up Ltd* are considering becoming a public limited company.

(b) Explain **one** reason against *Covers-up Ltd* becoming a public limited company.

(4)

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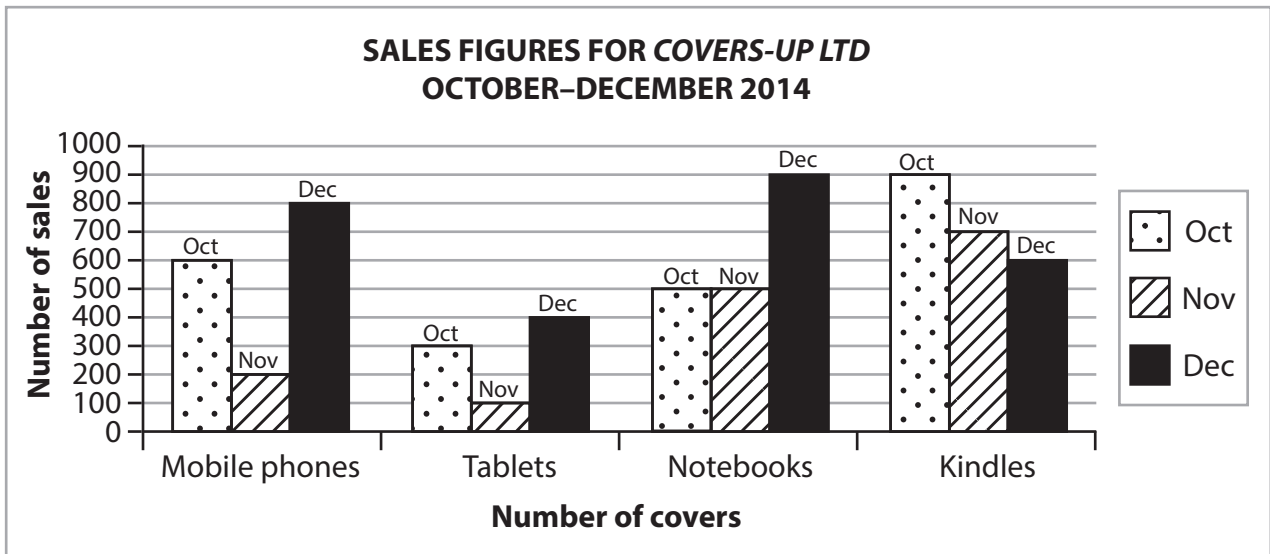
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The chart below shows the sales of some of the covers, in the last three months of 2014.



(c) (i) Which month has the lowest total sales?

(1)

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(ii) Why do you think the sales of covers for notebooks are much higher in December than in October and November?

(2)

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(d) Discuss why *Covers-up Ltd* monitors its sales figures.

(4)

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James, the Sales Manager, realises the importance of ensuring that 'the price is right' for the products sold. Of the many pricing strategies he could use, he prefers cost-plus pricing.

(e) What is cost-plus pricing?

(3)

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(Total for Question 2 = 20 marks)



3 The data below was taken from *Covers-up Ltd*'s final accounts for 2013 and 2014.

	2014	2013
	£	£
Current assets	60 000	36 000
Current liabilities	48 000	48 000

(a) Analyse the change in liquidity for *Covers-up Ltd* between 2013 and 2014 using the current ratio.

(6)

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Covers-up Ltd has three directors. Each director has responsibility for only three employees.

(b) Explain **one** benefit for the directors of having a narrow span of control.

(4)

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Sometimes decisions made by one department can affect another department. In January 2015 the Sales Director agreed a delivery deadline with a customer, but forgot to tell the Production Director about that deadline.

(c) Why is it important for departmental directors to communicate with each other?

(4)

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Covers-up Ltd is thinking of selling its covers to countries within the European Union (EU) during 2016. These goods would be charged in euros (€). The current exchange rate is £1 : €1.20. If the cost of each mobile phone cover is £13.00 then they will have to charge €15.60.

It is predicted that by 2016 the exchange rate of the £ against the € will rise and £1 will be worth €1.50. The Marketing Manager will have two choices.

Choice A – to keep the price at €15.60

Choice B – to raise the price to €19.50

Select the choice you think he should make.

(d) Justify the effect of the choice on *Covers-up Ltd*.

(6)

(Total for Question 3 = 20 marks)

TOTAL FOR SECTION A = 60 MARKS



SECTION B

4 Many companies operate Just In Time. *Covers-up Ltd* prefer not to use this method.

(a) What is meant by Just in Time?

(2)

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(b) Explain **two** reasons why *Covers-up Ltd* would prefer to use batch production rather than job production.

(8)

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Covers-up Ltd has been very labour intensive. Some labour intensive businesses have moved their manufacturing operations to countries that are poorer or less developed such as India.

(c) Why would these businesses move their production to a poorer or less developed country?

(4)

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Covers-up Ltd uses Total Quality Management (TQM) to make sure that all its covers are of the highest quality.

(d) Suggest how TQM helps *Covers-up Ltd* manufacture high quality covers.

(6)

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(Total for Question 4 = 20 marks)



5 *Covers-up Ltd* benefits from managerial economies of scale.

(a) (i) Define the term economies of scale.

(1)

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(ii) How might managerial economies of scale benefit *Covers-up Ltd*?

(4)

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Covers-up Ltd keeps up to date with new electronic products that come into the market so they can manufacture new covers for them.

(b) Explain the importance of promotion for *Covers-up Ltd* when introducing a new cover.

(5)

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The directors of *Covers-up Ltd* want to increase the motivation of the workers.

They are considering the following two options.

Option 1 – offer workers financial incentives

Option 2 – offer workers non-financial incentives

Select **one** of these options.

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(c) Justify why you have selected this option and rejected the other.

(10)

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(Total for Question 5 = 20 marks)

TOTAL FOR SECTION B = 40 MARKS

TOTAL FOR PAPER = 100 MARKS



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