

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS

B510U10-1



S18-B510U10-1



BUSINESS – AS component 1
Business Opportunities

FRIDAY, 18 MAY 2018 – AFTERNOON

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	16	
2.	10	
3.	8	
4.	16	
Total	50	

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Write your answers in the spaces provided in this booklet.

If you run out of space, use the continuation page at the back of the booklet, taking care to number the question(s) correctly.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

You are reminded of the necessity for good English and orderly presentation in your answers.

Answer all the questions in the spaces provided.

1. Sebastian is an **entrepreneur** who runs his own business designing and selling custom-made jewellery boxes. In order to pursue his dream he gave up his full time job and is now committed to working long hours in order to achieve his goals. He has also invested all his savings to help run his small business.

Sebastian plans to approach his bank manager for a loan to help with expanding his enterprise. A friend has suggested that, as well as seeking professional advice, he should produce a **business plan** in order to ensure the success of his business venture.

- (a) Apart from the bank, identify **two** sources of information or guidance available to a business start-up such as Sebastian's. [2]

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- (b) Outline ways in which Sebastian demonstrates the typical characteristics of an entrepreneur. [4]

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(c) To what extent is a business plan critical to the success of a new business?

[10]

Examiner only

A series of horizontal dotted lines provided for the student to write their answer.

B510U101
03

2. Nigel, a successful sole trader in the retail trade, is seeking to expand his business by forming a **partnership** with Samaira, a golfing professional and friend. Nigel already owns and runs a shop selling men’s clothing and wants to diversify by opening a second shop selling golf equipment which, because of Samaira’s golfing expertise, he hopes Samaira will run and manage.

The new golf shop will be situated at a different location from his current shop and Samaira has suggested that they carry out some **market research** to assess the level of demand for golf equipment in the area.

(a) Explain **two** benefits to a business of using *market research*. [4]

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(b) Suggest and explain **two** advantages and **two** disadvantages to Nigel and Samaira of setting up as a partnership. [6]

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3. Sophia recently started her own business producing children’s personalised wooden chairs which she sells at £150 each. Her variable costs per chair are £50 and her annual fixed costs are £14 400. She sold 100 chairs in the month of November.

(a) Calculate Sophia’s profit for the month of November. [4]

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For the month of December Sophia is planning to spend an additional £500 on advertising, which she forecasts will increase her sales by 20%. She estimates that her variable costs will also rise by an additional 10% per chair because she intends to include a Christmas themed cushion with every order. She does not intend to increase the price.

(b) Calculate Sophia’s estimated **additional** profit for the month of December. [4]

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4. Bad publicity

To increase market share and profit some businesses may engage in unfair practices at the expense of the consumer. Unwanted PPI, the Volkswagen emissions scandal and the horsemeat food scandal are examples of these and illustrate the need to provide protection for the consumer against such practices.

South Korean tech giant Samsung has permanently stopped production of its high-end Galaxy Note 7 smartphone after reports of handsets that it had declared to be safe had caught fire. The company said, "For the benefit of consumers' safety, we stopped sales and exchanges of the Galaxy Note 7 and have consequently decided to stop production."

"Samsung could suffer a considerable loss of consumer faith," said Greg Roh, a market expert. He added, "The reason consumers prefer brands like Samsung and Apple is because of product reliability. So, in this case, brand damage is inevitable and it will be costly for Samsung to turn that around again."

*Source: Adapted from BBC News 11th October 2016
<http://www.bbc.co.uk/news/business-37618618>*

(a) Explain why consumers sometimes need protecting from business organisations. [4]

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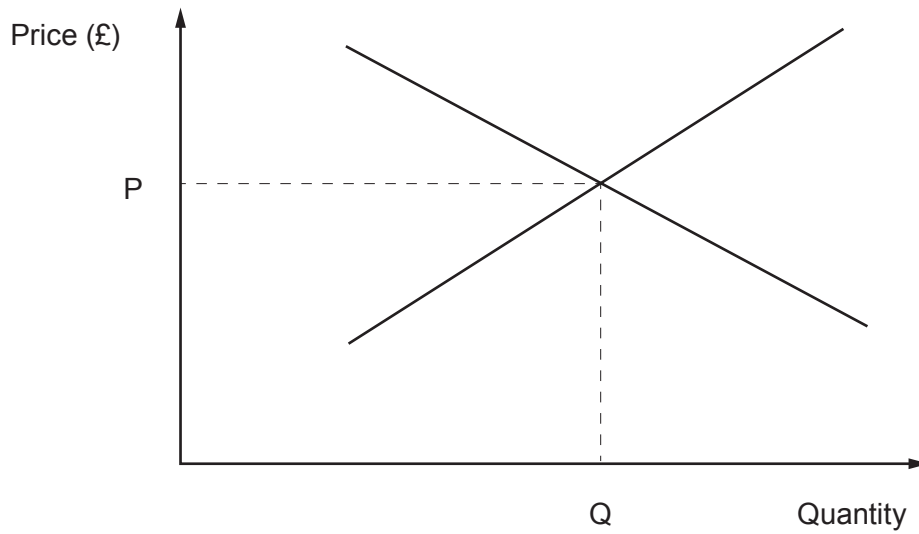
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Demand and Supply of other brands of smartphones



(b) Adapt and label the diagram above and explain what might happen to the price of other brands such as Apple as a result of the bad publicity for Samsung. [4]

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For continuation only.

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