Write your name here

Surname		Other names

**Pearson
Edexcel GCSE**

Centre Number

Candidate Number

Business Studies and Economics
Unit 5: Introduction to Economic Understanding

| Friday 5 June 2015 – Morning | Paper Reference |
| Time: **1 hour 30 minutes** | **5BS05/01** |

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.
- 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 90.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*
- Questions labelled with an **asterisk** (*****) are ones where the quality of your written communication will be assessed
  – *you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.*
- 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 ▶

SECTION A

Answer ALL questions. You should spend 40 minutes on this section.

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 (a) When the demand for a product is price sensitive, as the price increases:

Select **one** answer.

(1)

⊠ **A** revenue decreases

⊠ **B** costs increase

⊠ **C** costs decrease

⊠ **D** revenue increases

(b) Outline **one** reason why the demand for a product might be price sensitive.

(2)

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(c) Give **two** examples of cash inflow for a business.

(2)

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(d) Explain **one** reason why poor cash flow could lead to business failure.

(3)

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(Total for Question 1 = 8 marks)

Binge drinking is a social problem in the UK. For many years UK governments have tried to reduce the negative externalities associated with binge drinking.

2 (a) Which **one** of the following best describes the term **negative externalities**?

Select **one** answer.

(1)

Where:

- ☒ **A** costs are paid by a business rather than society
- ☒ **B** the government increases unemployment benefits
- ☒ **C** costs are paid by society rather than business
- ☒ **D** the government decreases taxation

(b) State **three** current social problems other than binge drinking.

(3)

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(c) Explain **one** method the government could use to reduce binge drinking.

(3)

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Recent research shows that the annual quantity of alcohol consumed by those aged 18 and over has fallen by more than 12% since 2004.

(d) Explain **one** effect on the government of the fall in alcohol consumption.

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(Total for Question 2 = 10 marks)

Egypt has a population of over 83 million people and for many years has restricted free trade by imposing tariff and non-tariff barriers.

3 (a) Which **one** of the following is an example of a tariff?

Select **one** answer.

(1)

☒ **A** Commission on sales

☒ **B** Tax on imports

☒ **C** Quota

☒ **D** Safety standards

(b) Outline **one** reason why Egypt might want to restrict free trade.

(2)

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The Toyota Group is one of the world's largest multi-national corporations with its headquarters in Japan. It produces cars and electronics with factories in many different countries.

Companies such as *Toyota* might be affected by Egypt's barriers to trade.

(c) Explain **one** possible disadvantage to *Toyota* of Egypt's barriers to trade.

(3)

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(d) Describe the benefit to Egypt of *Toyota* locating a factory in their country.

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(Total for Question 3 = 10 marks)

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Since 2008 economic growth in the UK has declined. This was because of a range of internal and external shocks.

4 (a) Which **one** of the following best describes the term **economic growth**?
It is an increase in:

Select **one** answer.

(1)

⊠ **A** taxation revenue.

⊠ **B** unemployment.

⊠ **C** Gross Domestic Product.

⊠ **D** imports.

(b) Outline **one** example of an external shock to the UK economy.

(2)

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Despite poor economic growth in the UK since 2008, some businesses have seen an increase in their market share. One such business is *Aurora* which specialises in selling rare stamps and famous autographs.

(c) Explain **one** possible reason why *Aurora* has seen an increase in its market share.

(3)

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P 4 4 6 8 0 A 0 1 1 2 8

Brazil, Russia, India and China have all experienced average annual growth rates of over 4%, with China growing the fastest at 10%.

Aurora wants to continue its growth. It has identified two options:

- internal growth – developing a website to sell its products

- external growth – merging with a similar business based in China

(d) Which of these methods do you think will be more effective in allowing *Aurora* to grow? Justify your answer.

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(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

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Answer ALL questions. You should spend 30 minutes on this section.

Read the following passage carefully and then answer questions 5 and 6.

Poundland is a retail chain which sells every item in its stores for £1. It sells products such as home and kitchenware, gifts and healthcare goods, many of which are well known brands. Despite poor economic growth in the UK, *Poundland* has enjoyed increased sales and profits. It employs more than 7,000 staff and plans to open another 50 stores in the UK.

(Source: http://www.poundland.co.uk/images/1638/original/img_2839---version-2.jpg)

5 Identify **two** elements of the marketing mix. For each element explain how it might have contributed to the success of *Poundland*.

Element 1

(1)

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Explanation

(3)

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Element 2

(1)

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Explanation

(3)

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(Total for Question 5 = 8 marks)

Joan Driscoll is an unemployed single parent living in a town where *Poundland* plans to open a new store.

6 (a) (i) Identify **one** possible benefit to Joan Driscoll of the opening of this new store.

(1)

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(ii) Explain this benefit for Joan Driscoll.

(3)

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> *Poundland* is looking at opening stores in Spain. Spain has a population of over 46 million. The standard of living has been falling since the end of 2008. Over 20% of the population are living below the poverty line. One in four workers is unemployed. In the 15–24 age group the unemployment rate is 40%.

*(b) Two methods that *Poundland* might use to increase profit are to:

- open more stores in the UK

- open more stores in Spain

In your opinion, which of these methods is **more likely** to increase profit for *Poundland*? Justify your answer.

(8)

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(Total for Question 6 = 12 marks)

In July 2012, most of Northern India lost all electrical power. Many towns and cities had no electrical power for several days. The Indian electrical infrastructure has been unreliable for a long time, with frequent power cuts. Other parts of India's infrastructure, such as the road, telephone and internet networks are also in need of improvement.

70% of people in India live in the countryside. Many cannot read or write. The majority work in agriculture where farming methods have changed little over time. Many live in absolute poverty earning 42p a day or less.

7 (a) What is meant by the term **standard of living**?

(2)

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*(b) Assess the extent to which improving infrastructure is the best way to reduce absolute poverty in India.

(8)

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(Total for Question 7 = 10 marks)

TOTAL FOR SECTION B = 30 MARKS

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SECTION C

Answer ALL questions. You should spend 20 minutes on this section.

Read the following passage carefully and then answer questions 8 to 10.

> The global recession of 2009 was a key factor in the Bank of England reducing the interest rate to 0.5%. It remained at this level for a number of years. The low rate was set so that economic activity would increase.
>
> *Sytner* has 16 BMW dealerships across England. It sells new BMW cars, such as the Z4, which it imports from Germany. The price of a new Z4 in the UK is £44 000. It also sells used cars it has bought in the UK. Some of its customers take out loans to purchase new and used cars.
>
> Arthur Lee has just retired from *Sytner*. His only income now is from his state pension plus the interest he receives from his bank savings.

8   What is meant by the term **interest rate**.

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(Total for Question 8 = 2 marks)

9 (a) Identify and explain **one** effect on *Sytner* of low UK interest rates.

Effect

(1)

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Explanation

(3)

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(b) Identify and explain **one** effect on Arthur Lee of low UK interest rates.

Effect

(1)

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Explanation

(3)

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(Total for Question 9 = 8 marks)

Between 2009 and 2013 the pound (£) strengthened against the euro (€). *Sytner* imports all of its new BMWs from Germany and pays for them in euros.

*10 Using your knowledge of economics and business, assess the extent to which a strengthening of the pound could affect businesses such as *Sytner*.

(10)

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(Total for Question 10 = 10 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 90 MARKS

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