



GCSE



C510U10-1

THURSDAY, 18 MAY 2023 – AFTERNOON

BUSINESS – Component 1

Business Dynamics

2 hours plus your additional time allowance

Surname _____

First name(s) _____

Centre Number _____

Candidate Number 0 _____

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	2	
2.	2	
3.	4	
4.	5	
5.	7	
6.	20	
7.	20	
8.	20	
9.	20	
Total	100	

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink, black ball-point pen or your usual method.

Write your name, centre number and candidate number in the spaces provided on the front cover.

Answer ALL questions.

Write your answers in the spaces provided in this booklet.

(Turn over)

Additional space is provided for some questions within the booklet (if required). If further space is required for any question, you should use the additional page(s) at the end of this booklet. The question number(s) should be clearly shown.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question. You are advised to divide your time accordingly.

The total number of marks available is 100.

You are reminded of the need for good English and orderly, clear presentation in your answers.

(Turn over)

Answer ALL questions in the spaces provided.

- 1. Identify which TWO of the following are internal sources of finance.**
[2 marks]

Tick (✓) TWO boxes only.

Owner's capital		Share issue	
Government grants		Overdraft	
Bank loan		Selling assets	
Leasing		New partners	

(Turn over)

- 2. Intellectual property protects the originator of inventions, literary and artistic works.**

Name TWO ways a business can protect its intellectual property.

[2 marks]

3. Below are a number of terms used in business.

The private sector

Market share

Share capital

Stakeholder

Shareholder

Price skimming

Penetration pricing

The public sector

(Turn over)

3. Identify which of the terms on page 6 best describes each of the following:

3 (a) The portion of a total market that is owned by one particular business, product or brand. [1 mark]

(b) Organisations owned and controlled by the government, such as the NHS. [1 mark]

3 (c) An individual or group that affects or is affected by the activities of a business. [1 mark]

(d) When the price for a product is high when it first enters the market, then reduces in price over time. [1 mark]

4. The Little Cinema Company is a co-operative in a small town with high unemployment. It plays the latest films and sells tickets at a reduced price compared to the large chain cinema in a nearby city.

(a) State TWO features of a co-operative. [2 marks]

(Turn over)

10

4 (b) Assess ONE way The Little Cinema Company could make a positive impact on the local community.
[3 marks]

(Turn over)

- 5. Joseph owns and runs his own small business enterprise making hand-made customised cakes for various celebrations, including birthdays and weddings.**
- (a) Identify which method of production may be used to produce hand-made customised cakes. [1 mark]**

	JANUARY	FEBRUARY	MARCH
TOTAL CASH INFLOWS (£)	2 500	1 950	1 500
TOTAL CASH OUTFLOWS (£)	2 000	1 900	1 850
NET CASH FLOW (£)	?	50	−350
OPENING BALANCE (£)	100	?	650
CLOSING BALANCE (£)	600	650	?

5 (b) Joseph has created a cash flow forecast for 2023. Opposite is an extract from Joseph's cash flow forecast for 2023.

Calculate the missing figures for:

(i) January net cash flow [1 mark]

(ii) February opening balance [1 mark]

(Turn over)

5 (b) (iii)

March closing balance [1 mark]

5 (c) With reference to the data, explain ONE reason why cash is important for Joseph's business. [3 marks]

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(Turn over)

15

(Turn over)

- 6. Danny Davies is the owner of Danny's Dog Care, a dog kennel business providing a personal service. Danny's Dog Care offers a service where dog owners can leave their dogs in Danny's care when they go on holiday, to work or to go shopping. When owners leave their dogs with Danny, they are kept in their own individual secure kennel. During the day the dogs are walked, fed and given water.**

The kennels can accommodate up to 20 dogs and prices start from £20 per dog, per day.

6 (a) State what is meant by a personal service. [1 mark]

- 6. Danny lives next to the kennels. He is a sole trader, he does not have any paid staff, instead he relies on volunteers and family. Danny takes a salary from the business to pay himself for his work.**

Danny faces competition from Pet Corner, a dog kennel and cattery business located 5 miles away from Danny's location. However, Danny has found out Pet Corner is struggling financially. In contrast, Danny is often turning customers away because he cannot accommodate any more dogs. Therefore, Danny is considering expanding the business to meet demand.

(Turn over)

6 (b) Explain ONE way the choice of business ownership for Danny's Dog Care may impact the business.

[4 marks]

(Turn over)

20

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(Turn over)

	2020	2021	2022
Sales revenue (£)	110 000	118 000	122 000
Cost of sales (£)	27 500	27 140	26 840
Gross profit (£)	82 500	90 860	95 160
Gross profit margin (GPM)	75%	77%	?
Expenses:			
Salary (£)	37 500	42 400	43 530
Gas and electricity (£)	3 000	3 100	3 150
Mortgage (£)	20 000	20 000	20 000
Business rates (£)	8 000	8 100	8 100
Other expenses (£)	3 000	3 100	3 300
Total expenses (£)	?	76 700	78 080
Net profit (£)	11 000	14 160	17 080
Net profit margin	10%	12%	14%

Opposite are the profit and loss accounts (income statements) for Danny's Dog Care for the last three years.

6 (c) (i)

Calculate the total expenses for Danny's Dog Care in 2020. [1 mark]

(ii) State the formula for calculating gross profit margin (GPM). [1 mark]

Formula _____

(Turn over)

6 (c) (iii)

Use the formula to calculate the gross profit margin (GPM) for Danny's Dog Care in 2022.

[1 mark]

Calculation

(Turn over)

6 (d) With the use of an example relevant to Danny's Dog Care, describe ONE possible reason why the cost of sales has fallen between 2020 and 2022. [2 marks]

Danny is considering expanding the business. He is unsure whether to use internal or external methods of growth.

- 6 (e) Advise Danny on whether he should grow internally or externally. In your answer you must consider both qualitative and quantitative data.**
- [10 marks]**

25

(Turn over)

[illegible]

(Turn over)

- 7. Reynolds Ltd is a European logistics company. It transports goods, by lorry, between the UK and Europe. Reynolds Ltd has a depot in the UK and one in France where it stores its lorries. Reynolds Ltd aims to open another depot and increase its fleet of lorries from 20 to 25 in the next year and hire 5 more drivers.**

Reynolds Ltd had benefited from the UK being a member of the European Union.

- (a) Outline the benefits to a business of being a member of the European Union. [3 marks]**
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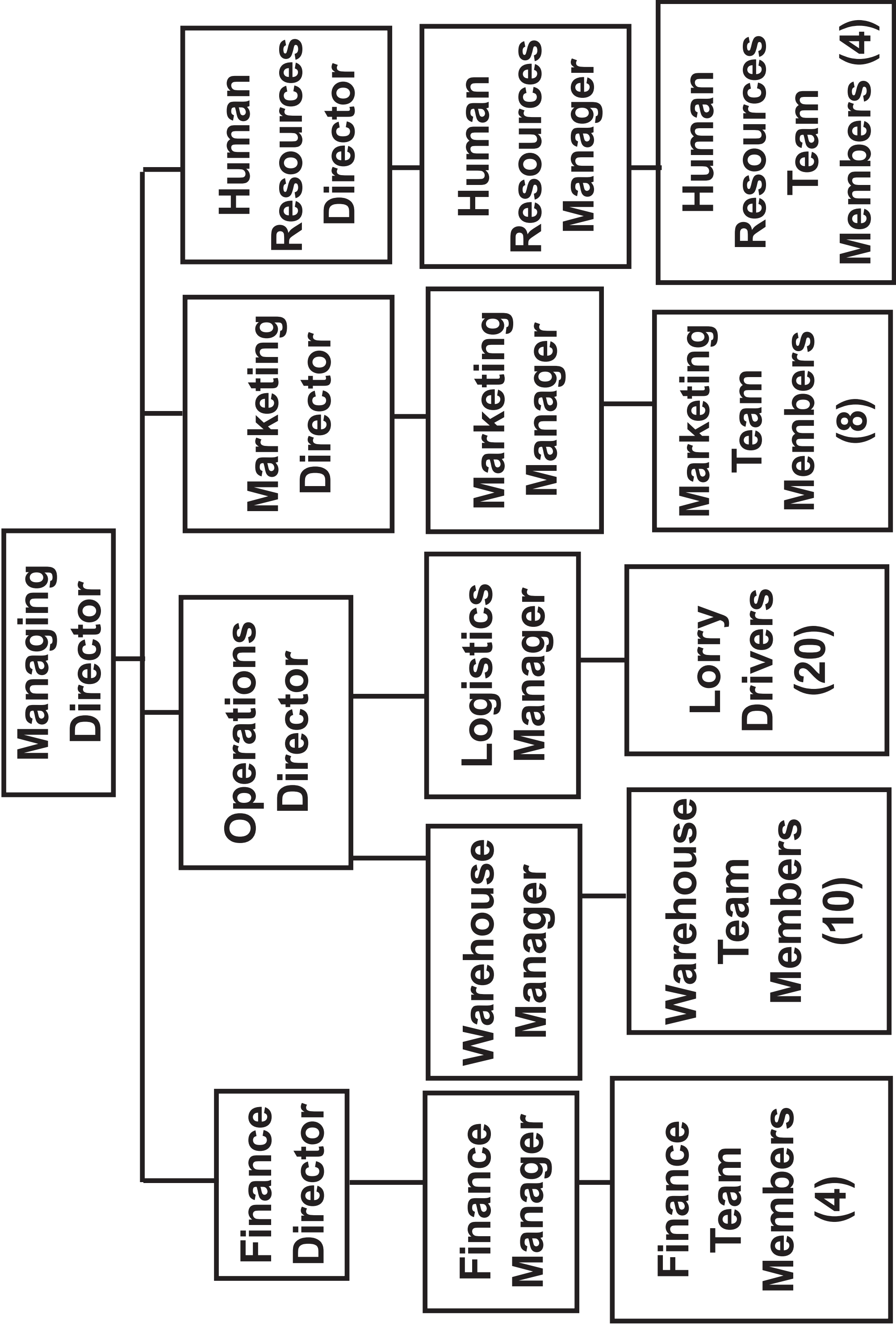
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One business that uses Reynolds Ltd to transport its goods is Nectar. Nectar is a family-run beekeeping business, based in Bath, England. It produces organic honey which it sells in the UK, although the market has become saturated. Through research Nectar has found that there is a growing demand for organic produce, such as its honey, in other countries.

7 (b) Describe TWO benefits to Nectar of exporting its organic honey to other countries. [4 marks]

(Turn over)



Reynolds Ltd has a hierarchical (tall) organisational structure. Opposite is an organisational chart for Reynolds Ltd.

7 (c) (i)

Using an example from Reynolds Ltd's organisational chart, describe what is meant by the chain of command. [2 marks]

(Turn over)

7 (c) (ii)

Analyse ONE impact of a wide span of control for Reynolds Ltd's logistics manager. [3 marks]

- 7 (d) Discuss the advantages and disadvantages to Reynolds Ltd of using a hierarchical (tall) structure.**
[8 marks]

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Additional space for Question 7 (d) only:

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FESTIVAL ATTENDANCE 2019



- 8. Music festivals are very popular in the UK. The graph opposite shows the number of people who attended the top 10 music festivals in 2019.**
- (a) Using the data in the graph, calculate Glastonbury's percentage share of the total number of people attending the top 10 festivals in 2019. Show your workings and present your answer to 1 decimal place.**
- [3 marks]**

(Turn over)

Festivals usually last a few days and many people who attend festivals bring tents to sleep in overnight. Annie Davies saw a business opportunity when she attended a festival. After the festival had finished, Annie was shocked to see the number of people who discarded the tent they brought to the festival with them. The environmental impact of this waste really bothered her. Annie had the idea of starting the business Eco Tent to manufacture and sell biodegradable tents.

8 (b) Apart from waste, state TWO other environmental costs of business activity. [2 marks]

(Turn over)

Before starting the business, Annie carried out some secondary market research. The research showed that 1 in 4 people left their tent behind after a festival; these tents may end up in landfill. Annie found large retailers such as Argos and Tesco were selling non-biodegradable tents and marketing them as single-use items, charging as little as £30 per tent.

Annie also carried out some primary market research which showed the following factors were important to most festivalgoers when buying a tent:

- **cost**
- **a cool design**
- **easy to put up**
- **eco friendliness**

Annie invested all her savings into developing a prototype compostable tent that biodegrades in 120 days and reduces the number of tents that end up in landfill. Annie had to spend a lot of time and money finalising the prototype and making it available to sell. In order to be able to produce the tent in large quantities Annie needed to borrow additional finance. Annie will launch the tents in a big promotional event with a selling price of £60.

8 (c) Explain how understanding the needs of customers will contribute to the success of Annie's business.

[3 marks]

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8 (d) Apart from understanding the needs of customers, explain ONE reason why a business may carry out market research. [2 marks]

8 (e) Discuss the potential success of Annie's business based on the following factors:

- **entrepreneurial characteristics**
- **ethical and environmental influence on business activity**
- **the competitive environment**

[10 marks]

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Additional space for Question 8 (e) only

- 9. E-Spin Ltd designs and manufactures electric bikes which are sold online through its website. All of its promotional activities are carried out using digital media.**



E-Spin Ltd's unique selling point (USP) is the design of its e-bikes which are lighter and more aerodynamic than e-bikes made by other manufacturers, resulting in a longer lasting battery life for its bikes. E-Spin's bikes are more expensive than its competitors.

(Turn over)

- 9 (a) Identify which ONE of the following promotional activities is most likely to be carried out through the use of digital media. [1 mark]**

Tick (✓) ONE box only.

Leaflet	
Newspapers	
Social media	
Directory listings	

(Turn over)

9 (b) Explain ONE reason why having a USP is important to E-Spin.

[3 marks]

(Turn over)

E-Spin uses market segmentation. The following extract from an advert shows E-Spin's product range.

E-Sport – Want to tackle the rough terrain on your weekend ride? This mountain e-bike is the one for you. £1999

E-Work – Want to get to that meeting on time? This city e-bike is suitable and light enough to weave its way around the city traffic. £1799

E-Ease – Need a bit of extra assistance? The easy rider e-bike is great for riders with knee problems with only light pedalling needed. £1699

**9 (c) Using the data in the advert extract,
describe E-Spin's product portfolio.
[2 marks]**

9 (d) With reference to the advert extract, analyse E-Spin's use of market segmentation. [6 marks]

[illegible]

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E-Spin was very successful in its first 5 years of business as an online business. Customers were very impressed with the e-bikes and sales grew every year, despite being the most expensive e-bikes on the market at that time. Recently, there has been an increase in competition from businesses in the UK and abroad. These businesses are able to produce similar designs to E-Spin at lower prices. As a result, E-Spin is struggling to compete and is experiencing a fall in its sales revenue and its profits.

- 9 (e) With reference to ALL the data on E-Spin, explain how E-Spin could make changes to its marketing mix to respond to increased competition.
[8 marks]**
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