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 10 June 2016 – Afternoon
Time: 1 hour 30 minutes

Paper Reference
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 ▶

P 4 6 5 2 5 R A 0 1 2 4

PEARSON

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) What is an export?

Select **one** answer.

(1)

⊠ **A** A good or service bought from another country

⊠ **B** The value of one currency in terms of another

⊠ **C** A good or service sold to another country

⊠ **D** The cost of borrowing money

(b) Identify **one** factor that could lead to an increase in the demand for a good.

(1)

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(c) Explain **one** way an increase in interest rates might affect a business.

(3)

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(d) Explain **one** reason why the UK Government might want to have a lower level of unemployment.

(3)

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(Total for Question 1 = 8 marks)

The Trussell Trust is a charity that has set up over 420 food banks across the UK. A food bank is an organisation that distributes food boxes to individuals and families who have low incomes. A food box is an emergency parcel that provides a person with food for three days. The food distributed by food banks is donated by the public and sorted by volunteers. In 2014, food banks helped over 900,000 people in the UK. The goal of *The Trussell Trust* is to set up a food bank in every UK town.

(Source: adapted from http://www.trusselltrust.org 20/12/14)

2 (a) Which **one** of the following is defined as the amount of goods and services a person can buy with their income in a year?

Select **one** answer.

(1)

☒ **A** Relative poverty

☒ **B** Gross domestic product

☒ **C** Consumer spending

☒ **D** Standard of living

(b) What is meant by the term **charity**?

(2)

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(c) Explain **one** reason why *The Trussell Trust* might want to open a food bank in every UK town.

(3)

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(d) Describe how the Government could identify signs of poverty in the UK.

(4)

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(Total for Question 2 = 10 marks)

3

> *Holdsworth Foods* is a growing business that sells chilled and frozen food to restaurants around the UK. The food is distributed from nine UK depots using its own large fleet of lorries. *Holdsworth Foods* prides itself on supplying food produced in the UK. It also imports food from abroad, but only when supplies are not available in the UK.
>
> In November 2014, cheaper fuel prices pushed the rate of inflation in the UK down to a 12-year low. Inflation dropped to 1% from 1.3% in October 2014.

(Source: adapted from http://www.holdsworthfoods.co.uk 20/12/2014)

(a) What is meant by the term **inflation**?

Select **one** answer.

(1)

☒ **A** The cost of borrowing money

☒ **B** An increase in the value of a currency

☒ **C** The cost of producing each unit of output

☒ **D** An increase in the general price level

(b) Identify **three** reasons why the owners of *Holdsworth Foods* might want the business to grow.

(3)

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(c) Explain **one** benefit to *Holdsworth Foods* of cheaper fuel prices.

(3)

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(d) Explain **one** possible disadvantage to *Holdsworth Foods* of importing some of its food from abroad.

(3)

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(Total for Question 3 = 10 marks)

4

In October 2014 the mobile phone retailer *Phones 4U* closed its stores. The decision was made following the announcement that the mobile network provider *Vodafone* had stopped allowing *Phones 4U* to sell a *Vodafone* contract along with the sale of a mobile phone. *Phones 4U* boss David Kassler said, "If mobile network providers decline to supply us, we do not have a business".

Vodafone, like other network providers, also sells mobile phones and mobile phone contracts through its own retail stores. *Vodafone* plans to increase the number of its retail stores in the UK from 360 to 500 in the next few years.

(Source: adapted from http://www.telegraph.co.uk/finance/newsbysector/
mediatechnologyandtelecoms/telecoms/11095462/Phones-4U-
collapses-into-administration-as-EE-is-final-operator-to-hang-up.html)

(a) Which of the following is a way of measuring the success of a business?

Select **one** answer.

(1)

- ☒ **A** Marketing mix
- ☒ **B** Market share
- ☒ **C** Opportunity cost
- ☒ **D** Cash flow forecast

In 2014 *Vodafone* achieved global sales revenue of £38bn.

(b) Outline **one** benefit to *Vodafone* of achieving high levels of sales revenue.

(2)

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(c) Explain **one** disadvantage for mobile phone users of *Phones 4U* closing all its retail stores.

(3)

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As a result of the closure of *Phones 4U,* the UK Government is considering introducing more regulation of the mobile phone industry in order to increase protection for consumers.

(d) The UK Government is considering the following two options:

Option 1: Impose new legislation on the industry

Option 2: Encourage better self-regulation within the industry.

Which of these two options do you think would be the most effective in protecting consumers? Justify your answer.

(6)

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(Total for Question 4 = 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 passage carefully and then answer questions 5 and 6.

(Source: www.clipart.com)

Potholes in UK roads are caused by heavy traffic, flooding and icy weather. The cost of repairing UK roads is an ongoing problem. Potholes cause damage to vehicles and injuries to drivers and pedestrians.

The UK Government has revealed it plans to spend £168 million over the next six years to tackle the problem of potholes in roads. This subsidy will be shared between 115 English councils to repair potholes and improve local roads. The spending is part of a long-term plan to ensure the UK has an infrastructure fit for the 21st century.

(Source: adapted from https://www.gov.uk/government/news/
councils-urged-to-apply-for-168-million-pothole-repair-fund)

5 (a) What is meant by the term **infrastructure**?

(2)

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(b) Identify **one** stakeholder group affected by potholes.

(1)

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(c) Explain **one** benefit to local councils of receiving a subsidy from the Government.

(3)

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(d) Explain **one** advantage and **one** disadvantage of councils carrying out repairs to local roads and highways.

(8)

Advantage

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Explanation

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Disadvantage

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Explanation

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(Total for Question 5 = 14 marks)

6 The Mayor of London has announced that new legislation will be introduced to prevent vehicles from entering parts of London's city centre. The number of CCTV cameras in London will also be increased in order to help reduce crime and antisocial behaviour.

(a) What is meant by the term **legislation**?

(2)

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(b) Outline **one** benefit of reducing crime and antisocial behaviour in London.

(2)

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(c) Describe how the spending on the UK transport network could increase economic growth.

(4)

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The Institute of Civil Engineers has welcomed the increase in spending to improve UK roads. However, it has estimated that it will cost £250 million to fully catch up on road repairs. One way in which the UK Government could raise the additional funding is by increasing road tax.

*(d) Assess the impact of the UK Government increasing road tax to pay for the additional spending on road repairs.

(8)

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(Total for Question 6 = 16 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 7 to 10.

La SENZA
L I N G E R I E

La Senza is a fashion chain whose product range includes underwear and nightwear.

In 2012 *La Senza* made sales revenue of £43m but a loss of £26m. This led to the closure of more than 80 branches. Over the next two years efforts were made to strengthen the *La Senza* brand with a new marketing campaign and a range of new product launches. These strategies had little impact on the fortunes of the business.

In August 2014, *La Senza* became insolvent for the second time in two years. A spokesperson for *La Senza* said, "Like many other retailers, *La Senza* has been hit hard by the difficult economic environment and a slowdown in consumer spending".

Data: Market conditions for underwear and nightwear (2012 – 2014)

	2012	**2013**	**2014**
Market growth (%)	1%	2.5%	2%
Approximate number of brands sold in the UK market	21	26	34

Before the closures, *La Senza* believed in operating ethically and conducting its business in an environmentally sustainable way, for example, using recycled materials in its clothing catalogues. It had also introduced a programme to reduce its energy consumption.

(Source: adapted from http://www.theguardian.com/business/2014/jul/01/la-senza-goes-into-administration-lingerie-chain)

7 What is meant by the term **insolvent**?

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(Total for Question 7 = 2 marks)

*8   Outline **one** factor that *La Senza* might have considered when launching a new product.

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(Total for Question 8 = 2 marks)

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*9 Discuss the benefits to *La Senza* of operating ethically.

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(Total for Question 9 = 6 marks)

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10 Using your knowledge of business and economics, assess the extent to which the failure of *La Senza* might have been due to changing market conditions.

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(Total for Question 10 = 10 marks)

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