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# Business Studies and Economics

## Unit 5: Introduction to Economic Understanding

Monday 2 June 2014 – Morning  
**Time: 1 hour 30 minutes**

Paper Reference

**5BS05/01**

**You may use a calculator.**

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 with your spelling, punctuation and grammar, as well as the clarity of expression, on these questions.*

### Advice

- Read each question carefully before you start to answer it.
- Keep an eye on the time.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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**PEARSON**

SECTION A

Answer ALL the 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 Karen Millen and Armani are designer clothes retailers with shops throughout the world.

(a) Which of the following is a definition of **demand**? (1)

Select **one** answer.

It is the amount of:

- A goods for sale in a market
- B goods consumers wish to purchase at a given price
- C goods a producer sells to a consumer in a market
- D money employees earn in wages each month

(b) State **three** ways of measuring business success. (3)

1 .....

2 .....

3 .....



(c) (i) Identify **one** factor that could lead to a change in demand for designer clothes such as *Karen Millen* and *Armani*.

(1)

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(ii) Explain how this factor might affect the level of sales of designer clothes.

(3)

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**(Total for Question 1 = 8 marks)**



2

There are millions of people around the world who live in poverty.

(a) Which of the following best describes the meaning of **absolute poverty**? (1)

Select **one** answer.

It is where people are unable to afford:

- A foreign holidays
- B televisions
- C clothing
- D second homes.

(b) State **three** ways in which the standard of living can be measured. (3)

1 .....

2 .....

3 .....

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(c) Explain how an increase in government spending could reduce poverty. (3)

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*Save the Children* is an international charity set up to promote and protect the rights of children.

(d) Explain **one** way that charities such as *Save the Children* help to reduce international poverty.

(3)

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**(Total for Question 2 = 10 marks)**



3

*Winsor and Newton* manufactures equipment and paints for artists. The business is committed to being environmentally responsible. The company says that it:

- invests in reducing water pollution, waste and protecting natural resources
- monitors energy use in its factory and aims to improve efficiency
- reduces the amount of water used in production and has invested in technology to recover 30% of water resulting in a saving of 1.2 million litres of water per year
- only uses suppliers who use renewable supplies of wood to make its brush handles and easels.

(Source: <http://www.winsornewton.com/about-us/environmental-responsibility/>)

(a) Which of the following is an example of a renewable resource?

(1)

Select **one** answer.

- A** Coal
- B** Wind
- C** Natural gas
- D** Oil

(b) Identify **two** drawbacks to *Winsor and Newton* of using non-renewable resources.

(2)

1 .....

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2 .....

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(c) Explain **one** negative externality that might arise as a result of *Winsor and Newton's* business activity.

(3)

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(d) Describe why *Winsor and Newton* might want to be more environmentally responsible.

(4)

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**(Total for Question 3 = 10 marks)**

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4 (a) Resources that are limited in supply are an example of:

(1)

Select **one** answer.

- A sacrifice
- B price sensitivity
- C scarcity
- D choice

Top 5 New Family Cars by sales volume (January 2011)

| Top 5 | Make       | Model   | Price (£) |
|-------|------------|---------|-----------|
| 1     | Ford       | Mondeo  | 17 295    |
| 2     | Volkswagen | Passat  | 18 470    |
| 3     | Skoda      | Superb  | 16 670    |
| 4     | Mazda      | 6       | 17 429    |
| 5     | Toyota     | Avensis | 17 184    |

(Source: adapted from <http://www.whatcar.com>)

Alan has to make a decision between buying a Mazda 6 and a Ford Mondeo.

(b) Outline the trade-off that Alan is faced with.

(2)

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(c) Explain **one** factor that would affect the price sensitivity of family cars.

(3)

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## SECTION B

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

Read the following article carefully and then answer questions 5 to 7.

### Weak Pound: Strong Euro

Between 2007 and 2012 the pound weakened against the euro.

| 2007       | 2012       |
|------------|------------|
| £1 = €1.50 | £1 = €1.22 |

UK manufacturing businesses have been able to take advantage of the weaker pound. In April 2012 a survey of UK manufacturing businesses showed an increasing number expecting to sell more to European markets compared to the previous year.

*Magnum Wine plc* is a large UK wine retailer. Its profit for 2011–2012 fell by 40% from the previous year. This was blamed on falling Champagne sales and the strong euro. It used to buy large supplies of wine mainly from France, Germany, Spain and Italy. Due to the problems caused by a strong euro it looked to buy more of its wine from so-called 'new world' countries such as South Africa, Chile, the USA and Australia.

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

(2)

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(b) Explain how UK manufacturers might benefit from a weaker pound.

(3)

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(c) Explain **one** reason why a strong euro led to *Magnum Wine* buying more supplies from 'new world' countries.

(3)

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**(Total for Question 5 = 8 marks)**



6 (a) (i) Identify **one** stakeholder that might be affected by the fall in profit of *Magnum Wine*.

(1)

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(ii) Explain how the stakeholder you have identified above will be affected by the fall in profit of *Magnum Wine*.

(3)

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**(Total for Question 6 = 4 marks)**





Look at the following table which refers to the UK economy and then answer question 8.

Changes in Interest Rate and Gross Domestic Product (GDP)  
from 2006–2010 (Selected months)

| Month/Year    | Bank of England Interest Rate (%) | Annual Change in GDP (%) |
|---------------|-----------------------------------|--------------------------|
| August 2006   | 4.75                              | +2.9                     |
| January 2007  | 5.25                              | +2.7                     |
| July 2007     | 5.75                              | +2.6                     |
| February 2008 | 5.25                              | +1.0                     |
| October 2008  | 4.5                               | -2.0                     |
| January 2009  | 1.5                               | -5.5                     |
| March 2009    | 0.5                               | -6.0                     |
| November 2010 | 0.5                               | +1.8                     |

(Source: adapted from <http://www.thisismoney.co.uk> and the Office for National Statistics)

8 (a) What is meant by the term **Gross Domestic Product (GDP)**?

(2)

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SECTION C

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

Read the following passage carefully and then answer questions 9 and 10.

**Oil, Economic Growth and Protecting the Environment**

London based *Tullow Oil* is one of a number of multi-national corporations looking for oil in Africa. Over the last five years it has invested in oil exploration in Uganda and has discovered more than 2 billion barrels of oil. This investment has increased economic growth in Uganda.

One of the problems of the oil industry is the potential for damage to the environment. There have been reports of wide-spread pollution and environmental damage in countries like Nigeria as a result of oil production in the country.

Governments in these countries can adopt various policies to help protect the environment, such as taxes and subsidies.



© Win McNamee/Getty Images

9 (a) What is meant by the term **multi-national corporation**?

(2)

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(b) Identify **two** possible factors that cause economic growth in an economy. For each factor explain how it leads to economic growth.

(8)

Factor .....

Explanation .....

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Factor .....

Explanation .....

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**(Total for Question 9 = 10 marks)**





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