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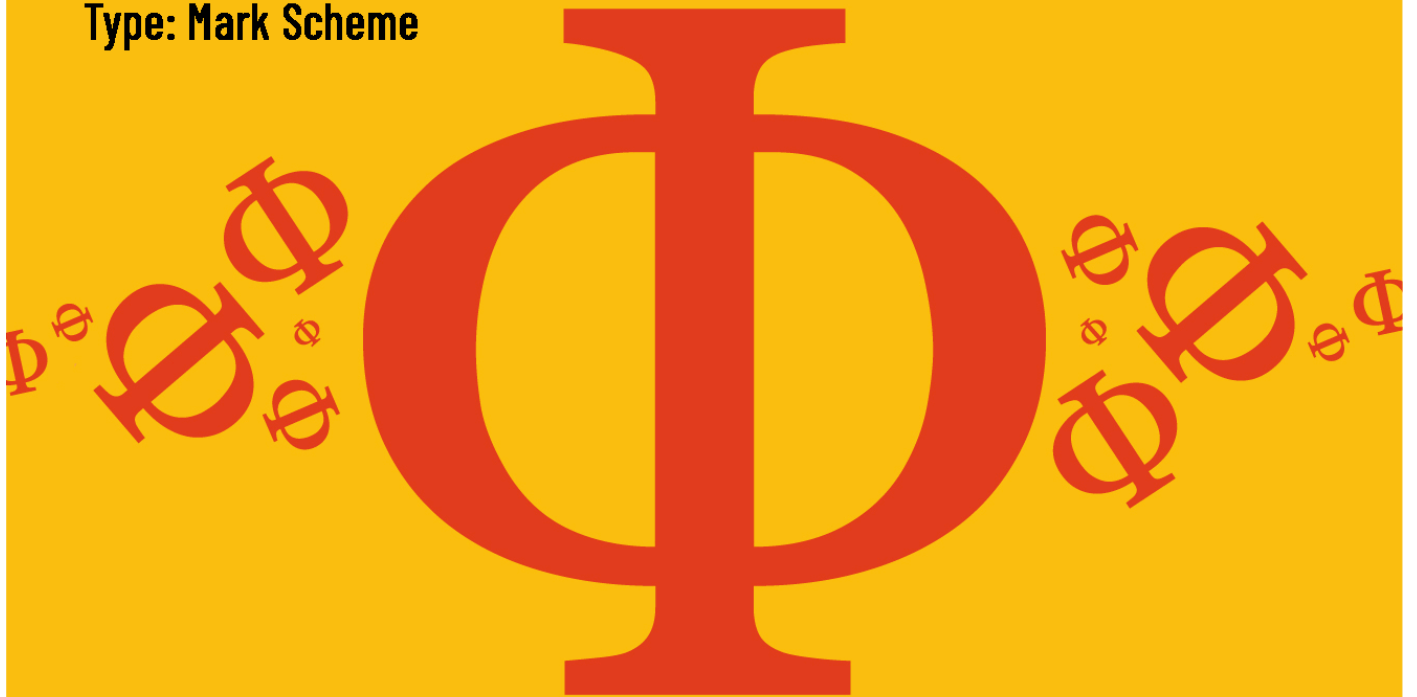
Designed to test your ability and thoroughly prepare you

Level: Pearson Edexcel Level 1/Level 2 GCSE (9-1) in Business (1BS0)

Subject: Business (1BS0)

Topic: GCSE Edexcel Business

Type: Mark Scheme



Business Edexcel GCSE

To be used for all exam preparation for 2025+

Business

GCSE

Key skills

Mark Scheme

Question 1

$$\begin{aligned}\text{Average rate of return} &= \frac{\text{Average annual profit}}{\text{Initial cost}} \times 100 \\ &= \frac{\pounds 100,000}{\pounds 400,000} \times 100 [1] = 25\% [1]\end{aligned}$$

Examiner tips

- 1 mark for any valid working
- 2 marks for a correct answer



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Question 2

$$\begin{aligned}\text{Percentage increase} &= \frac{2016 \text{ sales revenue} - 2015 \text{ sales revenue}}{2015 \text{ sales revenue}} \times 100 \\ &= \frac{\pounds 1,500,000 - \pounds 750,000}{\pounds 750,000} \times 100 [1]\end{aligned}$$

$$= 100\% \text{ increase [1]}$$

Examiner tips

- 1 mark for any valid working
- 2 marks for a correct answer

Question 3

$$\text{Gross profit margin} = \frac{\text{Gross Profit}}{\text{Sales revenue}} \times 100$$

$$= \frac{\pounds 22,190,385}{\pounds 30,560,692} \times 100 [1]$$

$$= 72.61\% [1]$$

Examiner tips

- 1 mark for any valid working
- 2 marks awarded for a correct answer

Question 4

$$\frac{\text{Product X sales revenue}}{\text{Total sales revenue}} \times 100$$
$$= \frac{\pounds 700,000}{\pounds 700,000 + \pounds 150,000 + \pounds 250,000} \times 100$$
$$= \frac{\pounds 700,000}{\pounds 1,200,000} \times 100 [1] = 58.33\% [1]$$

Examiner tips

- 1 mark for any valid working
- 2 marks for a correct answer

Question 5

$$\text{Percentage reduction} = \frac{2017 \text{ price} - 2019 \text{ price}}{2017 \text{ price}} \times 100$$
$$= \frac{\$ 50,000 - \$ 35,000}{\$ 50,000} \times 100 [1]$$
$$= 30\% \text{ reduction [1]}$$

Examiner tips

- 1 mark for any valid working
- 2 marks for a correct answer

Question 6

Historical sales revenue data can help a business to set sales targets for future periods [1] as long as it expects little change in the market [1] which can be used to motivate staff and provide them with clear goals [1]

Examiner tips

- The model answer is an example. Your answer may be different
- This response is rewarded 3 marks as it makes a **valid point** which is **fully developed** with a short chain of reasoning

Alternative ways to answer

- Identify sales trends → such as seasonal patterns → plan output to meet demand
- Make sales forecasts → estimate future revenues → plan for growth

Guidance

- 'Explain' requires you to make a valid **point** (1 mark) and then provide a short **chain of reasoning** (2 marks) to back up the point
- **No application** is needed
- A list with more than one use and no explanations scores one mark



Question 7

Using financial data to make decisions can be problematic because, in focusing on numerical, it doesn't provide reasons behind the data which could provide important context such as opinions and motivations of customers. Without this context planning and decision-making could ignore important factors and profitable opportunities that would meet customer needs could be missed.

As well as this financial data can quickly become out of date and may be of little use in making decisions about the future. It is unlikely, especially in a competitive market, that future financial conditions will be exactly the same as those that have already happened and so financial data could only be reliably used to make decisions if it is combined with other types of data such as the results of surveys and qualitative research.

Examiner tips

- This is a model answer which would score 6 marks
- Appropriate **business terminology** is used throughout with two distinct and valid points that show accurate **knowledge and understanding**
- Both points have been fully developed with logical **chains of analysis**

Alternative ways to answer

- Financial data may be incomplete → doesn't reflect the current situation → decisions about the future may be inaccurate
- Statistics can be manipulated → alternatives may not be considered → opportunities could be missed

Guidance

- This is a 'Level of response' answer where the examiner judges how well you have displayed the key skills of **knowledge** and **analysis**
- 'Discuss' questions **do not require you to apply** your answer to a specific business context
- At least **two valid limitations** must be analysed to gain 5-6 marks

Question 8

$$\text{Net profit margin} = \frac{\text{Net Profit}}{\text{Sales revenue}} \times 100$$

$$\text{Net profit} = \text{Gross profit} - \text{Other operating expenses \& Interest}$$

$$\text{Net profit} = \text{£}21,450,974 - \text{£}18,084,104 = \text{£}3,366,870$$

$$= \frac{\text{£}3,366,870}{\text{£}44,320,542} \times 100 \text{ [1]}$$

$$= 7.60\% \text{ [1]}$$

Examiner tips

- 1 mark for any valid working
- 2 marks for a correct answer

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Question 9

A business may choose to increase its selling prices in order to increase the amount of revenue it generates. If customers aren't very price conscious this would be likely to increase the gross profit it makes because the small decrease in demand it would experience would be more than covered by the extra revenue generated. It would require pricing to be updated on websites and in stores, though, which may take some time to achieve and staff may need some training to understand the changes.

An alternative way to improve gross profit is to reduce the cost of sales by switching to cheaper suppliers. It may take some time to develop strong relationships with these new suppliers, though, and there is also a danger that, with cheaper raw materials and components, the quality of the businesses' finished goods is negatively affected. This may affect the reputation of the business and customers may choose to purchase rivals' products instead.

Examiner tips

- This is a model answer which would score 6 marks
- Appropriate **business terminology** is used throughout with two distinct and valid points that show accurate **knowledge and understanding**
- Both points have been fully developed with logical **chains of analysis**

Alternative ways to answer

- Increase selling price → higher sales revenue → increased added value if cost of sales remain the same
- Reduce cost of sales → by negotiating lower prices with suppliers → may damage relationships with long-standing business partners

Guidance

- This is a 'Level of response' answer where the examiner judges how well you have displayed the key skills of **knowledge** and **analysis**
- 'Discuss' questions **do not require you to apply** your answer to a specific business context
- At least **two valid ways** must be analyzed to gain 5-6 marks

Question 10

Calculating the ARR of the Petlandia development requires Mind Candy to consider its investment carefully and, in doing so, it may identify flaws with the plan **[Point]**. It can then make changes to the app or storybook idea **[Application]** and model their impact on the ARR to identify the most profitable course of action which is vital to cover the costs of borrowing the extra finance it needs to fund the development **[Analysis]**.

As well as this, calculating the ARR involves Mind Candy estimating the lifespan of the development so it can help with long-term planning **[Point]** of what will come next, after Petlandia. This will help Mind Candy to avoid the huge losses of revenue it faced when Moshi Monsters lost popularity in 2013 **[Application]** and help to ensure its longer-term survival because it will have a new product idea, ready to launch, when Petlandia inevitably enters the decline stage of its life cycle **[Analysis]**.

Examiner tips

- Each paragraph contains a specific point, followed by application and analysis
- Both points have been fully developed with **logical** and **applied chains of analysis** that are focused on the question
- The model answer has strong chains of analysis and is **well-applied**, referring to *Mind Candy's* specific context throughout the response

Alternative ways to answer

- Forecast the return on investment → consider the likely profitability of the *Petlandia* investment → determine whether borrowing is worthwhile → persuade lenders of the viability of the project
- Compare to alternative investments → such as different apps → balanced decision can be made → improved chance of success

Guidance

- This is a 'Level of response' answer where the examiner judges how well you have displayed the key skills of **knowledge**, **application** and **analysis**
- *When asked to 'analyse the benefit' you should consider two distinct positive implications*
- For each point use the **Point + Application + Analysis** structure to gain 5-6 marks
- The response must be focused throughout on *Mind Candy*

Question 11

Net profit may be increased if a business takes steps to reduce its non-direct costs such as rent [1] which may involve relocation or downsizing its premises [1] which could be disrupt production for a short period of time [1]

Examiner tips

- The model answer is an example. Your answer may be different
- This response is rewarded 3 marks as it makes a **valid point** which is **fully developed** with a short chain of reasoning

Alternative ways to answer

- Sell a greater volume of products/services → increase the level of sales revenue → if all types of costs remain constant the net profit margin will increase
- Reduce cost of sales → by sourcing cheaper raw materials and components → reduce quality of finished product

Guidance

- 'Explain' requires you to make a valid **point** (1 mark) and then provide a short **chain of reasoning** (2 marks) to back up the point
- **No application** is needed
- A list with more than one way and no explanations scores one mark

Question 12

KFC will have suffered a period of reduced revenue **[Point]** because it didn't have sufficient stock of chicken to sell in its chain of restaurants **[Application]**. This loss of revenue would have contributed to the business making less net profit and would have been worsened if selling prices were to be reduced to regain customers when supply chains returned to normal. As it would have still needed to pay staff and meet other fixed costs, even when some restaurants were closed, its net profit will have been negatively affected **[Analysis]**.

KFC may have also needed to source other supplies for a short period of time until its new contract with DHL was running smoothly **[Point]**. This may have meant returning to Bidvest who, having been dropped as a supplier in favor of DHL, may charge higher prices to meet KFC's needs at short notice **[Application]**. This would have increased its direct costs and had a short-term but negative impact on net profit levels **[Analysis]**.

Examiner tips

- Each paragraph contains a specific point, followed by application and analysis
- Both points have been fully developed with logical and **applied chains of analysis** that are focused on the question
- The model answer has strong chains of analysis and is **well-applied**, referring to *KFC's* specific context throughout the response

Alternative ways to answer

- Promotional costs → need to apologise to customers through viral social media campaigns → increased expenses → reduced net profit
- Temporary store closures → reduced revenue due to lost sales → staffing and other running costs must be met → reduced net profit

Guidance

- This is a 'Level of response' answer where the examiner judges how well you have displayed the key skills of **knowledge, application and analysis**
- *When asked to 'analyse the impact' in this case it is likely that **both points will be negative***
- For each aspect use the **Point + Application + Analysis** structure to gain 5-6 marks
- The response must be focused throughout on *KFC*.