



Pearson
Edexcel

A level Business

GCSE to A level
Diagnostic Test
Question Booklet





Instructions for Students

Instructions

- This test should take 1 hour
- Answer all questions
- Answer the questions in the spaces provided or on a separate sheet of paper.

Information

- The total mark for this paper is 50.
- The for each question are shown in brackets
- You may use a calculator.

Advice

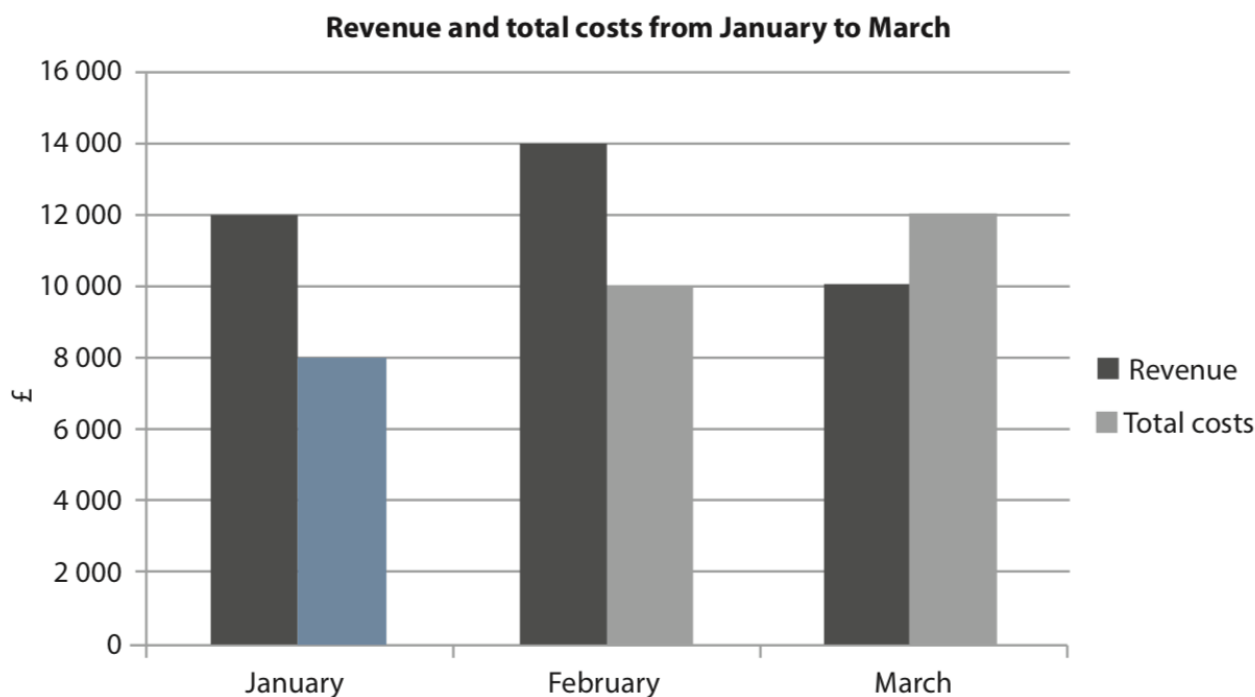
- Read each question carefully before you start to answer it.
- Try to answer every question
- Check your answers if you have time at the end.



Answer ALL questions. Write your answers in the space provided.

Section A

1. The chart below shows information about the financial performance of a small business from January to March.



(a) Define what is meant by 'revenue'

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(2 marks)

(b) Using the information above, calculate the total profit for the period January to March. You are advised to show your workings.

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(2 marks)



2. Break-even analysis is used by some businesses to determine when the level of output should become profitable.

The table below shows the total costs and total revenues for a business at various levels of output.

Output	Total costs	Total revenue
0	100	0
10	180	100
20	260	200
30	340	300
40	420	400
50	500	500
60	580	600
70	660	700

(a) Construct a break-even chart below using the data from the table above.

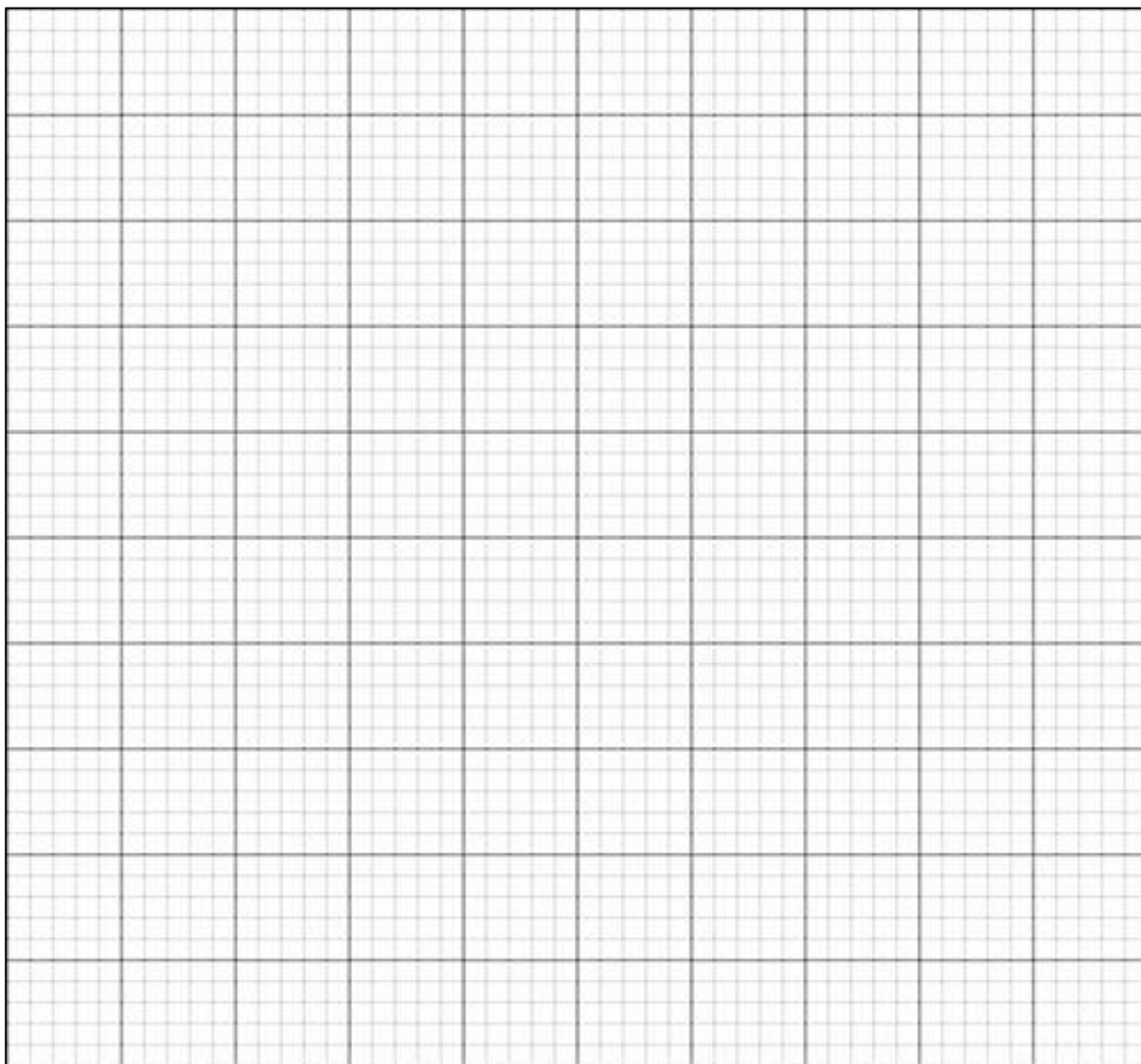
(b) Make sure you label the axis, the cost and revenue lines and the break-even point

Use the graph paper provided on the next page.

(5 marks)



Graph paper for question 2 (a) and (b)





(c) What is the value of fixed costs?

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(2 marks)

(d) Calculate the margin of safety when output is 65 units. You are advised to show your workings.

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(3 marks)



Backpack: Student sets up online homework planner business

Backpack Ltd is a small start-up business set-up in Plymouth in 2012. Alistair started the company after leaving school when he was 18 and he is the main shareholder.

Backpack Ltd has developed an online homework planning application, or 'app', which is suitable to run on iOS and Android mobile phones. The app replaces the traditional paper-based homework diary and allows teachers to set and track homework online.

In order to start his company, Alistair needed to raise £20 000 to develop and bring the homework planning app to market.

(Source: adapted from <http://www.backpack.ac>)

(e) Break-even charts can be useful to new business owners.

Explain **TWO** reasons why Alistair might have used break-even charts in 2012.

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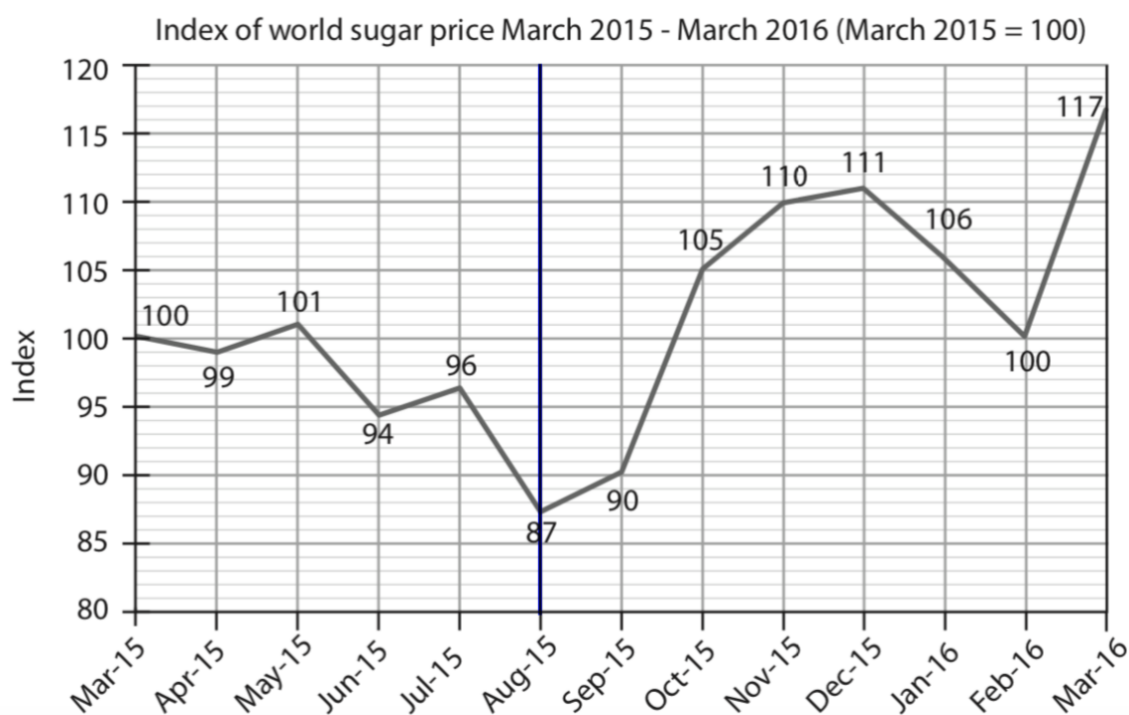
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(6 marks)



Section B

3. The graph below shows how the world price of sugar changed between March 2015 and 2016.



(a) Using the above data, describe the trends in world price of sugar over the period.

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(3 marks)

(b) Give **TWO** reasons to explain the above trends in world sugar prices

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(4 marks)



Birds the Bakers

Three entrepreneur brothers, Frank, Thomas and Reginald Bird, founded the Birds Bakery in 1919 when they started their first business in Upper Dale Road in Derby. In its centenary year (2019) Birds had over 750 staff working in shops across the city, in Nottingham and towns across the East Midlands. Birds makes a range of breads, cakes and biscuits.

(c) Using examples related to Birds the Bakers, explain the difference between entrepreneur characteristics and entrepreneur motives.

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(4 marks)

Birds the Bakers use a combination of job, batch or flow production methods.

(d) Assess **TWO** of these production methods for Birds the Bakers.

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(8 marks)



SECTION C

AO.com

AO.com is an online retailer of large domestic appliances, such as washing machines and fridge-freezers. John Roberts set up the company in Bolton in 2000. AO.com uses the internet to distribute its domestic appliances and does not use retail stores.

In 2014, AO.com raised finance through selling shares to the public on the stock market. It has grown its market share in the UK, taking sales from rivals such as Currys Digital. In 2015, the

company started television advertising in the UK, using the slogan 'AO – let's go', in order to increase brand recognition and sales. AO.com intends to improve its profitability.

(Source: adapted from <http://ao.com/corporate/about-ao/history/>)

In order to increase its profits, AO.com could either

- sell a wider range of products through the internet, or
- improve its branding.

4. Evaluate these **TWO** options and recommend which option AO.com should use to increase its profits.

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(10 marks)