

Candidate Name	Centre Number	Candidate Number
		2



**GCE AS/A level**

321/01

**BUSINESS STUDIES**

**BS1**

A.M. THURSDAY, 22 May 2008

1 hour

For Examiner's Use Only		
Question	Maximum Mark	Examiner's Mark
1	26	
2	15	
3	9	
QWC	3	
Total	53	

**INSTRUCTIONS TO CANDIDATES**

Answer **all** the questions in the spaces provided.

Write your name, centre number and candidate number in the spaces at the top of this page.

**INFORMATION FOR CANDIDATES**

Mark allocations are shown in brackets.

Candidates will be assessed on their quality of written communication i.e. the structure and presentation of ideas; the clarity of expression; grammar, punctuation and spelling. Up to three marks will be awarded for written communication.

Answer **all** the questions in the spaces provided.

- 1. Dame Anita Roddick, who died recently aged 64, was the energetic founder and guiding spirit of The Body Shop, the international cosmetics and toiletries empire built on a combination of soap, bubble bath and ethical conviction. In countless ways, Roddick was an inspiration: she was a grafter, a risk taker, and that rarest of creatures – a successful female entrepreneur who, from a single shop in Brighton in 1976, presided over a **franchise** of 2,000 stores in 53 countries just 30 years later. All this was achieved with a bank loan of just £4,000, which she was at first refused! However, returning to the bank with a convincing **business plan**, she finally persuaded her bank manager to back her.

The key to The Body Shop’s success was the identification of its products (e.g. Fuzzy Peach Shower Gel, Brazil Nut Conditioner, Raspberry Shampoo) with the social and political pre-occupations of the young women who constituted its main customer base: such as animal welfare, the protection of the Brazilian rain forest, Third World poverty and, of course, the age-old pursuit of youth and beauty. Her husband, Gordon was considered by many to be the financial and business brains behind the enterprise, while Anita provided the passion, the activism, the ideas and the publicity.

Source: Adapted from *The Guardian*, 10 September, 2007

- (a) (i) What is a *franchise*? [2]

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- (ii) Briefly explain **two** requirements of franchisees that you might expect to find in a Body Shop franchise agreement. [4]

I. ....

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II. ....

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- (b) Explain the benefits to a business of taking out a franchise with The Body Shop rather than operating independently. [6]

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(c) Evaluate the importance of a business plan to the success of a small business. [6]

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**2. Foot-and-Mouth returns to the UK in 2007**

British farmers were horrified to hear the news that yet another case of foot-and-mouth disease had been discovered on a farm in Surrey, just when it was hoped that the outbreak on a farm some 30 miles away in August was an isolated case. The European Commission has banned British meat exports and this will place some farmers in severe financial difficulties. This is yet another blow to workers in the UK's **primary sector** where the number of workers employed continues to decline.

*Source: Adapted from the Daily Telegraph, 13 September, 2007*

(a) (i) What is the *primary sector*? [3]

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(ii) Explain why the number of workers employed in the UK's primary sector continues to decline. [6]

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(b) During the last foot-and-mouth crisis, many UK consumers substituted New Zealand lamb for British lamb. With the aid of a supply and demand diagram, explain the possible impact on the market for New Zealand lamb if the current outbreak were to last for many months.

[6]



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**Total Mark**

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### 3. Inflation over 1000% in Zimbabwe

In 2006 Zimbabwe's **inflation** rate increased to over 1000% per annum – the highest rate in the world. This means that everyday goods were 11 times more expensive than they were one year earlier!

In contrast, in April 2007 the UK inflation rate stood at 2.7%. Even this seemingly low rate has set alarm bells ringing at the Bank of England. The current rate exceeds the target rate of 2% set by the Chancellor of the Exchequer, and the Monetary Policy Committee at the Bank of England has continued to raise interest rates in an attempt to slow down the economy.

*Source: Adapted from Business Annual Review 2007 - Andrew Gillespie*

(a) What is meant by the term *inflation*? [3]

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(b) Why can inflation cause problems for UK businesses? [6]

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