

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS/A level

1081/01

BUSINESS STUDIES – BS1

P.M. WEDNESDAY, 9 January 2013

1¼ hours

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1	6	
2	10	
3	10	
4	14	
5	10	
Total	50	

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INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

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

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

INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets.

You are reminded that assessment will take into account the quality of written communication used in answers that involve extended writing (question 5).

Answer all the questions in the spaces provided.

1. Local councils are under pressure to reduce expenditure on public and merit goods. One way in which they are doing this is by turning off some street lights. Street lighting is an example of a public good.

(a) Give **two** examples of merit goods. [2]

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(b) Explain why street lighting is a public good. [4]

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- 2. Jack is an A level student who is undecided whether to go to university or to look for a permanent job in business when he finishes his course. To help decide, he arranged a work placement at Supreme Motors, the local Ford dealership.

Whilst working in the marketing department, Jack noticed that Supreme Motors sold different types of Ford cars to different types of people. As a result, he gained a better understanding of the importance of market segmentation to Ford and its customers.

- (a) Explain, using **two** examples of market segmentation, how Ford **and** its customers can benefit from this marketing approach. [6]

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At the end of the work placement, Jack’s boss offered him a full-time job as a car sales representative on a fairly good salary. Jack’s parents want him to go to university but Jack is unsure of what to do.

(b) How does this situation illustrate the concept of opportunity cost? [4]

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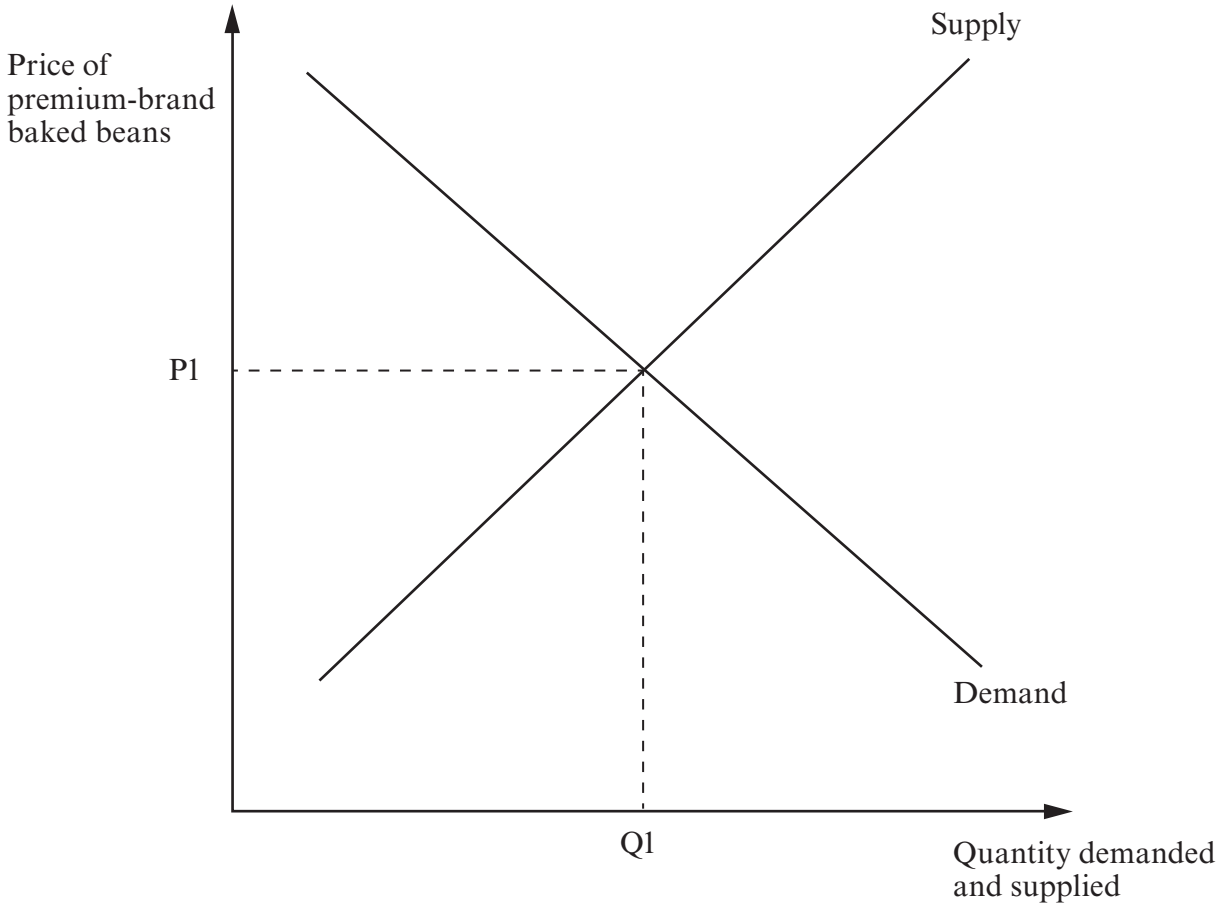
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Turn over for question 3

1081
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3. The fall in incomes over the past three years is the biggest drop since the 1970s says a report from the Institute for Fiscal Studies. As a result, consumers are changing from buying premium products to cheaper products in the supermarket.

(a) Adapt the diagram below to show the effect of falling incomes on the market for premium-brand baked beans and explain the changes that have taken place. [4]



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(b) Explain what factors, other than the drop in income, might affect the price of premium-brand baked beans. [6]

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4. Magmatic Ltd is a private limited company that creates and distributes innovative, award-winning children's travel products designed to make family travel easier. Magmatic Ltd's aim is to become recognised as a successful creator of really useful travel products that facilitate the perfect journey.



The Trunki suitcase

Magmatic Ltd all started with Trunki, the brainchild of designer Rob Law. He first came up with the idea for a ride-on suitcase way back in 1997 whilst studying at university. He had been given a project to design a piece of children's luggage, so he went to his local department store for inspiration. Disappointed by the luggage on offer to children, he found himself impressed by ride-on toys in the toy department. That is when the idea for Trunki was born. 1.9 million Trunkies have been sold in 6 years, a remarkable achievement for a product-orientated company.

The company is keen to maintain the momentum for growth and now wishes to adopt a more market-orientated approach. Also, if Magmatic Ltd becomes more successful, it might wish to consider becoming a public limited company (plc).

Other products include the BoostApak, a booster seat that doubles as a backpack, and the Yondi pillow, a travel head-rest for children.



BoostApak



Yondi pillow

Source: *Magmatic Ltd*

(a) Explain why Magmatic Ltd now wishes to adopt a more market-orientated approach.

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(b) Discuss whether Magmatic Ltd should become a public limited company, or remain as a private limited company.

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