General Certificate of Education
June 2007
Advanced Subsidiary Examination

BUSINESS STUDIES **BUS1**
Unit 1

Monday 4 June 2007 1.30 pm to 2.30 pm

For this paper you must have: • an 8-page answer book. You may use a calculator.

Time allowed: 1 hour

Instructions

- Use blue or black ink or ball-point pen.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is BUS1.
- Answer **both** questions.
- Do all rough work in the answer book. Cross through any work you do not want to be marked.

Information

- The maximum mark for this paper is 52.
  Two of these marks will be awarded for using good English, organising information clearly and using specialist vocabulary where appropriate.
- The marks for questions are shown in brackets.
- Both questions carry equal marks.

Answer **both** questions.

Total for this question: 25 marks

1 Study the information and then answer **all** parts of the question that follows.

Walkers' new recipe

Walkers Snack Foods Ltd (Walkers) promotes its crisps as the 'nation's favourite'. A wide range of consumers of all ages and backgrounds buy millions of bags of Walkers snacks in 400 000 outlets every day. Walkers has a 40 % share of the UK salted savoury snack market which includes nuts and corn products (such as Quavers), as well as crisps. This market had sales of £2200 million in 2005. It has a market growth rate of 3 % a year and has seen significant changes in consumer tastes recently. In particular, consumers have looked for healthier snack foods, possibly influenced by government warnings over the health implications of poor diets. Walkers researches the market constantly to identify and meet consumer tastes.

In its latest development, Walkers has responded to changing consumer tastes by producing a new range of healthier crisps in bright, shiny packets. The crisps are available in three new flavours. From February 2006, the company's crisps:

- will be cooked in sunseed oil and will contain 70 % less saturated fat than in 2005
- will contain only 0.5 grams of salt (about 8 % of the recommended daily intake for an adult).

Walkers spent over £6 million on developing its new crisps, including collecting qualitative and quantitative data on consumer preferences. The company has promoted its new products heavily, using the low levels of fat and salt as a unique selling point. The £20 million campaign has included taking out full-page adverts in national newspapers, promoting the product strongly on its website and screening a series of adverts featuring celebrities Gary Lineker and Charlotte Church. The company has initially left the price of a 34 gram bag of crisps unchanged.

Source: picture printed with the permission of *Walkers Snack Foods Ltd*

(a) What is meant by the term 'market growth' (lines 5–6)? *(2 marks)*

(b) (i) Calculate the anticipated value of sales in the UK salted savoury snack market in 2006. *(3 marks)*

(ii) Outline **one** possible marketing objective that Walkers Snack Foods Ltd might pursue when launching its new crisps. *(4 marks)*

(c) Examine **two** problems that Walkers Snack Foods Ltd might have faced when conducting market research for its new crisps. *(7 marks)*

(d) To what extent is the product the most important element in the marketing mix for the new Walkers crisps? *(9 marks)*

Turn over for the next question

Total for this question: 25 marks

2 Study the information and then answer **all** parts of the question that follows.

Gardiner Stores plc

Gardiner Stores plc is one of the UK's smaller supermarket chains. The company operates 50 supermarkets mainly in the Midlands and the South East of England. It was founded in Birmingham and still owns undeveloped land in the city. The company sells only groceries and it aims to supply quality products and to provide excellent customer service. Gardiner Stores plc charges premium prices and expects each sale to make a contribution towards overheads.

The company's financial position is improving slowly. It has made small but rising profits over recent years, and its share price on the Stock Exchange has increased. The company gives the managers of each supermarket responsibility for setting and monitoring budgets for their stores. Gardiner Stores plc has pursued a policy of steady expansion, opening two or three stores every two years, and this has led to occasional cash flow problems.

In 2006, Gardiner Stores plc opened a new supermarket in Oxfordshire. The forecast and actual figures for the first two months of trading for this supermarket are shown in **Table 1** below.

Table 1: Budgeted and actual revenues, costs and profits for the Oxfordshire supermarket April and May 2006

	April		**May**	
	Budget £000s	**Actual £000s**	**Budget £000s**	**Actual £000s**
Sales Revenue	**966**	**897**	**957**	**967**
Purchases of stock	606	630	611	615
Wages and salaries	241	250	245	249
Other costs	98	96	97	97
Total Costs	**945**	**976**	**953**	**961**
Profit/(Loss)	**21**	**(79)**	**4**	

Gardiner Stores plc is planning further expansion and is considering buying land in two towns in Surrey for its newest supermarkets. Surrey is a very attractive market for the company because many wealthy consumers live there who are likely to buy the company's premium products. The company anticipates having to raise £11 million to finance this latest stage of its expansion, and is undecided whether to use internal funds from within the company or external sources of finance.

(a) What is meant by the term ‘contribution’ (line 6)? *(2 marks)*

(b) (i) Calculate the actual profits for the Oxfordshire store for May 2006. *(1 mark)*

(ii) Calculate the total profits variance for the Oxfordshire store for the two-month period, April–May 2006. You should show your workings and state whether the variance is adverse or favourable. *(5 marks)*

(c) Analyse **two** benefits that Gardiner Stores plc might receive from setting budgets for its Oxfordshire store. *(8 marks)*

(d) Discuss whether Gardiner Stores plc should use internal or external sources of finance to raise the capital needed to build the two supermarkets in Surrey. *(9 marks)*

END OF QUESTIONS

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