

Centre Number						Candidate Number				
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
TOTAL	



General Certificate of Education
Advanced Subsidiary Examination
January 2012

Business Studies

BUSS1R

Unit 1 Planning and Financing a Business

Wednesday 11 January 2012 1.30 pm to 2.45 pm

For this paper you must have:

- a calculator.

Time allowed

- 1 hour 15 minutes

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 60.
- Questions 2(b) and 2(c) should be answered in continuous prose. In these questions you will be marked on your ability to:
 - use good English
 - organise information clearly
 - use specialist vocabulary where appropriate.

Advice

- You are advised to spend about 20 minutes answering Question 1.



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Read the **case study** and then answer the questions that follow.

Pierre's Personalised T-Shirts

Pierre planned to purchase T-shirts and print slogans and messages on them as requested by customers. He wanted to start up a business quickly because he had been told that sales for new businesses in this market grew at 30% per annum. Furthermore, he was aware of a number of businesses planning to enter this market. He also knew that a major competitor, with a 20% market share, was in financial difficulties and expected to stop trading in 2012. 5

Pierre had limited funds available but was able to use his skills in website design to create a website to promote his business and, once the business started trading, to allow online purchasing in the electronic market.

Pierre's secondary market research indicated that: 10

- personalising T-shirts appealed to every market segment and was an effective way of adding value to basic T-shirts
- most of his sales would come from clubs and organisations who would buy in bulk through the electronic market
- existing competitors allowed customers, such as clubs, to delay payment by three months. Pierre would need to match these terms in order to compete 15
- suppliers demanded cash on delivery from new businesses such as Pierre's.

In December 2011, Pierre decided to carry out some primary market research which included views on his website. He interviewed 15 individuals. This research showed that: 20

- repeat sales would depend more on the quality of the T-shirt than on the price
- sales would be very seasonal, with peaks at Christmas and the summer
- 60% of his sample believed that Pierre's website looked good and was easy to use.

Pierre had some crucial decisions to make (see **Figure 1**).

Figure 1: Pierre's decisions

Decision	Options chosen	Options rejected
Selling price	£9.20 per T-shirt. Expected sales 9000 units per annum	£12 per T-shirt. Expected sales 6750 units per annum
Quality	Purchase high quality T-shirts at £3.29 each	Purchase medium quality T-shirts at £2.29 each
Rent premises	£20 000 per annum	Work from home: no rent to pay

Pierre believed that renting premises would make it easier to store the T-shirts and to control stock and organise deliveries. He also decided to employ two part-time workers who would be paid a higher rate than his competitors. Pierre thought that this would keep the employees loyal and morale high. 25



Pierre estimated that fixed costs, including rent, would be £48 000 per annum. In addition to the cost of the T-shirt, Pierre's other variable costs (labour, power and printing costs) would be 50p per T-shirt.

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Based on his forecast of sales increasing by 30% each year, Pierre produced a cash flow forecast for the first three years. Pierre then calculated the 'opening balance' for each quarter (see **Figure 2**).

Figure 2: Opening balances forecast for 2012 to 2014

	Year 1 2012 £	Year 2 2013 £	Year 3 2014 £
Opening balance			
1 January	15 000	(13 290)	(6 687)
1 April	(411)	(744)	13 222
1 July	(12 659)	(13 066)	804
1 October	(14 192)	(11 459)	6 493

The bank manager offered Pierre a £20 000 bank overdraft. Pierre accepted this offer and started trading on 3 January 2012. Pierre set himself one primary objective – to achieve an annual profit of £15 000 in his second year.

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Turn over for the questions

Turn over ►



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

You are advised to spend no more than **20 minutes** on Question 1.

1 (a) What is meant by the term 'market segment' (line 11)?

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(2 marks)

1 (b) What is meant by the term 'electronic market' (line 9)?

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(2 marks)

1 (c) Explain **one** reason why personalising T-shirts might be an effective way to add value.

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1 (d) (i) Based on the data and information in the case study, calculate Pierre's expected **total contribution** in his first year (2012).

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(3 marks)

1 (d) (ii) Based on the data and information in the case study, calculate Pierre's expected **profit** in his first year (2012).

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(3 marks)

Question 1 continues on the next page

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1 (e) Explain possible reasons why Pierre carried out primary market research.

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2 (c) Pierre set himself one primary objective: to achieve an annual profit of £15 000 in his second year (2013).

If Pierre keeps to the original options chosen (**Figure 1**), do you believe that he will achieve this objective? Justify your view. You should use calculations to support your answer.

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END OF QUESTIONS



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ANSWER IN THE SPACES PROVIDED**

