

Candidate Name	Centre Number	Candidate Number

WELSH JOINT EDUCATION COMMITTEE  
 General Certificate of Education  
 Advanced Subsidiary/Advanced



CYD-BWYLLGOR ADDYSG CYMRU  
 Tystysgrif Addysg Gyffredinol  
 Uwch Gyfrannol/Uwch

321/01

**BUSINESS STUDIES**

**BS1**

P.M. THURSDAY, 12 January 2006

(1 hour)

For Examiner's Use Only		
Question	Maximum Mark	Examiner's Mark
1	13	
2	14	
3	14	
4	9	
QWC	3	
Total	53	

**ADDITIONAL MATERIALS**

In addition to this examination paper you will need:

- a calculator.

**INSTRUCTIONS TO CANDIDATES**

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

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

**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.

No certificate will be awarded to a candidate detected in any unfair practice during the examination.

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

- 1. Josie Hamley, has run a veterinary practice of her own since 1998. She lives in the flat above the practice and employs two part-time nurses. She has built up an excellent reputation, particularly for the treatment of horses – something that she particularly enjoys and specialised in during her training. As with most small veterinary practices, much of her time is spent dealing with small animals such as cats and dogs.

After visiting her bank manager, with whom she has been negotiating a new loan, Josie is faced with a difficult decision - whether she should purchase a new 4 × 4 vehicle, as her current one is now 5 years old, or to extend her operating theatre at the surgery in order that she could, at last, accommodate horses.

A few days later, she received a phone call from a former university colleague, Michael West, who is one of nine partners in a large practice some 50 miles away, which has just moved into a new, very costly, ‘state of the art’ animal hospital. The equine specialist at the practice is soon to retire and Michael, being aware of Josie’s reputation, is ringing to invite her to look at their new facilities with a view to her joining the practice.

- (a) With reference to the passage, explain the concept of *opportunity cost*. [4]

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2. Richard Branson (Virgin), Stelios Haji-Ioannou (easyJet) and Anita Roddick (Body Shop) are three of the best known **entrepreneurs** in business today. They have all created hugely successful enterprises recognised the world over. Although very different individuals, the organisations that they created have one most important feature – a **strong corporate culture**, which helped to achieve the various objectives of their businesses.

(a) Why are *entrepreneurs* so important to the success of the United Kingdom economy? [4]

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(b) Briefly explain what is meant by *corporate culture*. [3]

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- 3. Ellisons Ltd. manufactures very high quality leather shoes and just under half of its sales takes place in the UK. The rest is sold overseas, Germany, taking the vast majority. It does not sell directly to the public, only to retail stores.

Exchange rate fluctuations in relation to the euro constantly impact upon its trade and the managing director, Richard Ellison, is strongly in favour of Britain becoming part of the 'Eurozone' as soon as possible.

The average price per pair of the shoes to retailers in the UK and abroad is £80. An exchange rate change, over a two-month period, of £1 = €1.48 at the beginning of January to £1 = €1.59 at the end of February would have implications for firms such as Ellisons Ltd.

- (a) Complete the table below which relates to a typical regular order received from a German customer.

[2]

Number of pairs ordered: 1200

Date	Exchange Rate	Value in £s sterling	Value in euros
01 January	£1 = €1.48	£96 000	(i)
28 February	£1 = €1.59	(ii)	€152 640

- (b) Explain how movements in the exchange rate of the euro(€), in relation to the £ sterling may impact upon Ellisons Ltd.

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(c) What are the key features of the Eurozone?

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(d) Explain **two** possible reasons why Richard Ellison is strongly in favour of the UK becoming a member of the Eurozone as soon as possible.

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**4. Rate of inflation:**

March 2005	1.9%
April 2005	1.9%

Source: *Working Lunch 17/05/05*

The steady inflation rates in the table above fall within the 2.0% target set by the Chancellor of the Exchequer and the Confederation of British Industry is pleased that this aspect of the United Kingdom economy is still well under control. These figures are in stark contrast to the figures of the late 1980s and early 1990s when **inflation** rates reached a peak of between 9% and 10%.

(a) Briefly explain what is meant by the term *inflation*.

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(b) Analyse possible reasons why businesses regard **high** rates of inflation as a significant problem. [6]

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