

322/01

BUSINESS STUDIES

BS2

P.M. THURSDAY, 12 January 2006

(1 hour)

ADDITIONAL MATERIALS

In addition to this examination paper, you will need:

- a calculator;
- an 8 page answer book.

INSTRUCTIONS TO CANDIDATES

Answer **both** questions.

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.

1. Study the information below and then answer the questions that follow.

Amazon.co.uk – an internet success story

In 1994, Jeff Bezos founded amazon.com in the USA. The highly **market orientated** internet retailer of books and music offered services that other retailers could not offer, such as lower prices, extensive selection and a wealth of product information. Amazon.co.uk is amongst the leading e-commerce sites in Europe and even in 2001 the Office of National Statistics reported that as many as 1 in 8 of the United Kingdom's internet users had made a purchase at amazon.co.uk. Today, Amazon offers much more for its customers to browse through, claiming the 'Earth's Biggest Selection' of products, ranging from electronics, photo items, tools and hardware and much more, all in all, some 28 million different items.

The use of **primary market research** is central to the company's marketing strategy. It has shown that 70% of its UK sales are from repeat purchasers and that 97% of its customers are 'satisfied' or 'very satisfied' with the service that they receive from the site. Amazon.co.uk has panels of literary, music and technology experts on board who write reviews on new products. In addition, customers are also invited to give their personalised reviews and opinions of products they have purchased.

In 2000, amazon.co.uk had grown sufficiently to warrant the opening of a 46 450 sq. metre distribution centre (the size of eight football pitches!) – a move which some business commentators regarded as **the most important element in amazon.co.uk's marketing mix**. It has the capacity to ship 100 000 packages an hour and is the largest distribution centre in Europe for an online retailer.

Adapted from Superbrands eCouncil, editor Marcel Knobil

- (a) (i) What is meant by 'market orientated'? [2]
 (ii) Briefly explain **two** advantages to Amazon of being market orientated. [4]
- (b) (i) What is the difference between primary and secondary market research? [4]
 (ii) Briefly explain **one** advantage and **one** disadvantage to Amazon of **primary** research. [4]
- (c) Evaluate the view that distribution is *the most important element in amazon.co.uk's marketing mix*. [6]

2. Study the information below and then answer the questions that follow.

Surridge Meats looks to expand

Malcolm Surridge is a sole trader who runs a small wholesale butchery business supplying local retailers with lamb, beef and pork. Recently, he has been getting more and more requests from restaurants and hotels who have heard that his produce is top quality at competitive prices. If he is to expand and take on more customers, he will need additional **capital expenditure** of around £150 000 to finance the growth of the business.

Balance Sheet Surridge Meats as at 01 April 2005

	£	£
Fixed assets		
Warehouse		130 000
Fixtures and fittings		55 500
Van		<u>12 800</u>
		<u>198 300</u>
Current assets		
Stocks	20 000	
Debtors	18 720	
Cash in bank	<u>36 400</u>	
	75 120	
Current liabilities		
Trade creditors	29 400	
Loan	<u>15 000</u>	
	44 400	
Net current assets (Working capital)		<u>?</u>
Net assets		<u>229 020</u>
Financed by:		
Opening capital		190 000
Add Net profit		<u>?</u>
		255 020
Less Drawings		<u>26 000</u>
Capital employed		<u>229 020</u>

- (a) What is meant by *capital expenditure*? [2]
- (b) Calculate the value of (i) net current assets (working capital), [1]
(ii) net profit. [1]
- (c) Explain why debtors are shown as current assets on a balance sheet whilst trade creditors are shown as current liabilities. [4]
- (d) Explain why working capital is important to a business such as Surridge Meats. [4]
- (e) Suggest and evaluate possible sources of finance if Malcom decides to expand his business. [8]