



Centre Number

71	
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Candidate Number

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General Certificate of Secondary Education
2014

Applied Business

[G9372]

MV18

MONDAY 2 JUNE, MORNING

TIME

1 hour, plus your additional time allowance.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number in the spaces provided at the top of this page.

There should be enough space for your answers.

If you do require more space, you may complete your answers on the extra lined pages at the back of this booklet.

Write your answers in the spaces provided in this question paper.

Answer **all six** questions.

INFORMATION FOR CANDIDATES

The total mark for this paper is 100.

Figures in brackets printed at the end of each question indicate the marks awarded to each question or part question.

Quality of written communication will be assessed in

Questions **1(d)**, **2(k)**, **4(b)** and **6(b)**.

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Case Study

Read the case study below and answer the questions that follow.

Go-Go-Gym

Go-Go-Gym is a recreational and fitness business that was developed from small beginnings by Marcus Montgomery, in July 2005. It began as a hobby in the unused garage of his parent's home. It has grown extensively within Northern Ireland.

The business has premises throughout Northern Ireland with the exception of County Fermanagh. The organisation is very keen to establish itself in Enniskillen.

Simon McDonald, a young and very enthusiastic personal trainer in the County Tyrone Go-Go-Gym has five years experience in the personal health and fitness industry. Simon would like to be in control of his own gym one day. He is currently the Assistant Manager and is very highly regarded by the owner, his colleagues and gym clients.

Simon's attitude to work is incredibly positive. He is also very focused in his approach to his own fitness level. Throughout his career he has competed in many local, national and international sporting events achieving many awards as well as raising thousands of pounds for charity. He encourages his clients to take the same approach and is known for two statements, "no pain, no gain" and "reach for the stars".

Marcus anticipates the recreational, personal health and fitness market will continue to grow and is committed to having a total of 12 gym outlets throughout Northern Ireland by July 2020.

Answer **all** questions

1 Marcus Montgomery is the owner of Go-Go-Gym.

(a) What is the term given to a person who owns their own business, other than a sole trader? [1 mark]

(b) What does this term mean? [1 mark]

(c) List **three** factors that a business owner must consider before setting up in business.

1. [1 mark] _____

2. [1 mark] _____

3. [1 mark] _____

(d) Discuss the characteristics a business owner, such as Marcus Montgomery, must have in order to make their business a success. [6 marks]

(e) Explain the factors of production to Marcus Montgomery relating them to the new branch of Go-Go-Gym in Enniskillen. [8 marks]

2 (a) Name the type of business ownership that Go-Go-Gym trades under. [1 mark]

(b) State **one** advantage of this type of business ownership to Marcus Montgomery. [1 mark]

(c) State **one** disadvantage of this type of business ownership to Marcus Montgomery. [1 mark]

(d) If Marcus Montgomery were to ask Simon McDonald to become involved in the ownership of the business, what type of business ownership would it then become? [1 mark]

(e) State **one** advantage of this new type of business ownership to Go-Go-Gym. [1 mark]

(f) State **one** disadvantage of this new type of business ownership to Go-Go-Gym. [1 mark]

(g) Name the document that Marcus Montgomery and Simon McDonald would need to have drawn up if this type of business ownership was to go ahead. [1 mark]

(h) Identify **three** issues that would need to be addressed in this document.

1. [1 mark] _____

2. [1 mark] _____

3. [1 mark] _____

(i) If Marcus Montgomery and Simon McDonald decide not to have this document drawn up, which law would be used to resolve any issues? [1 mark]

(j) Which sector of the economy is Go-Go-Gym operating in? [1 mark]

(k) Discuss **three** business aims that Go-Go-Gym should focus on to ensure the business will continue into the future and meet its 2020 target. [8 marks]

3 Go-Go-Gym has been operating successfully since 2005 and has a number of stakeholders.

(a) What is a stakeholder? [1 mark]

(b) Explain the importance of **four** stakeholders in Go-Go-Gym.

1. [2 marks] _____

2. [2 marks] _____

3. [2 marks] _____

4. [2 marks] _____

(c) Using an example of a stakeholder for Go-Go-Gym, discuss why they may be in conflict with one other stakeholder.

Example: [1 mark] _____

[3 marks] _____

(d) Identify and explain the type of production relating to Go-Go-Gym.

Type of production: [1 mark] _____

[2 marks] _____

4 Go-Go-Gym has expanded within Northern Ireland and plans to develop further by July 2020.

(a) Identify the method of growth used by Go-Go-Gym. [1 mark]

(b) Analyse the implications of growth for the future of Go-Go-Gym. [8 marks]

(c) Discuss **one** benefit and **one** drawback of international trade to Go-Go-Gym, if it was to expand its operation to the Republic of Ireland. [4 marks]

Benefit _____

Drawback _____

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5 When setting up the new branch of Go-Go-Gym in Enniskillen, Marcus Montgomery will require additional finance.

(a) List **three** items that Marcus will require finance for:

1. [1 mark] _____

2. [1 mark] _____

3. [1 mark] _____

(b) Explain **two** sources from which Marcus could obtain this additional finance.

Source 1: [2 marks] _____

Source 2: [2 marks] _____

(c) In order to obtain additional finance for Go-Go-Gym's new Enniskillen branch, Marcus will be required to develop a business plan.

Discuss **two** reasons for Marcus developing a business plan. [6 marks]

1. _____

2. _____

(d) The projected costs, per month, for Go-Go-Gym's new branch are as follows:

	£
Fixed Costs	5,000 per month
Variable Costs	25 per client
Membership Fee	50 per client per month

The maximum number of clients for the gym's membership is 500.

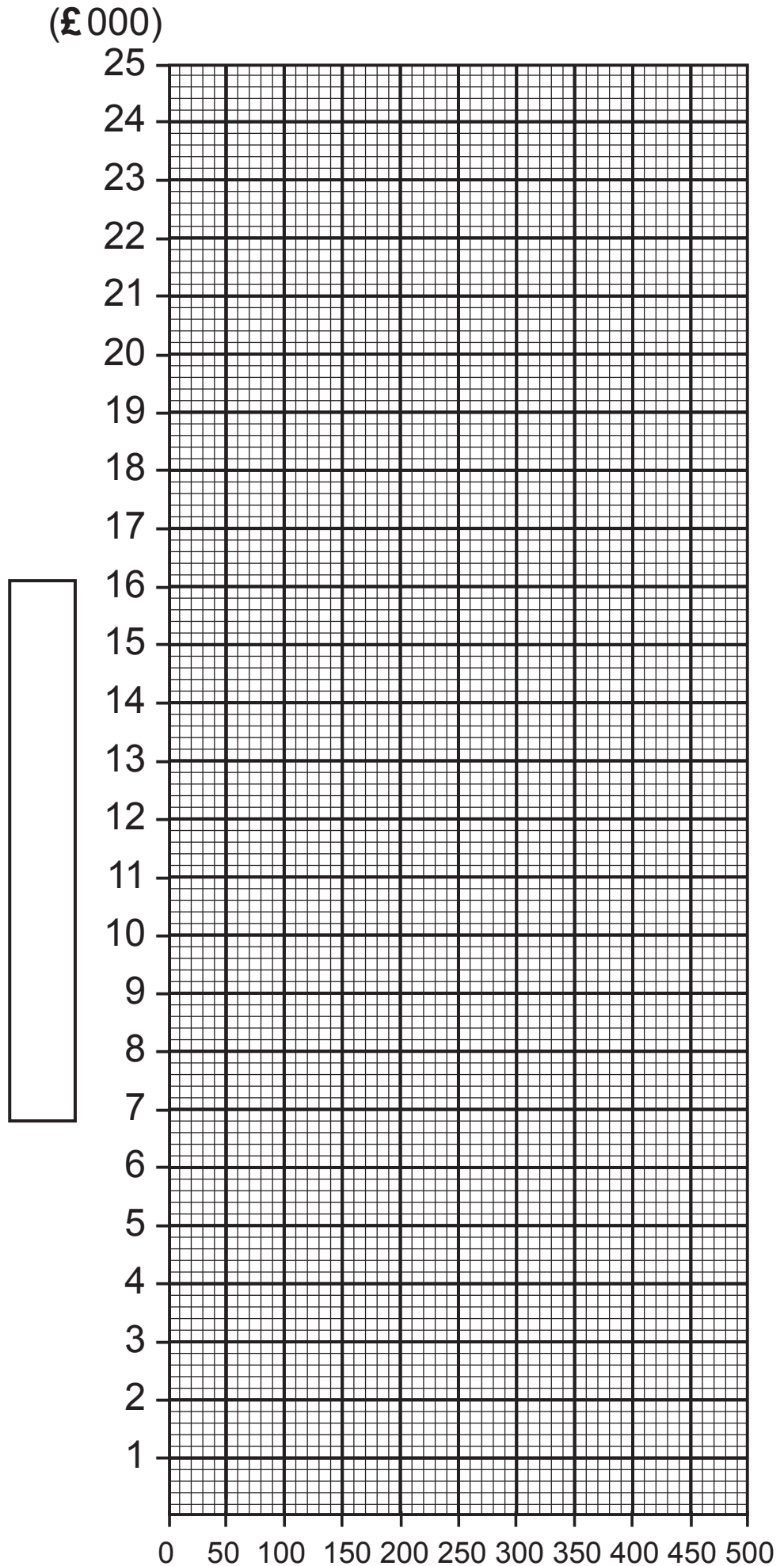
- (i) Using the formula below, calculate the Break-Even Point per month for Go-Go-Gym's new branch.
[3 marks]

$$\text{Break-Even Point} = \frac{\text{Fixed Costs}}{\text{Selling Price} - \text{Variable Cost}}$$

(ii) Construct a Break-Even Chart on the page opposite for Go-Go-Gym's new branch and label the following:

1. Fixed Costs line [1 mark]
2. Total Costs line [1 mark]
3. Total Revenue line [1 mark]
4. Profit and Loss areas [2 marks]
5. Margin of Safety [1 mark]
6. Axis [2 marks]
7. Break-Even Point. [1 mark]

**Break-Even
Chart for
Go-Go-Gym's
New Branch**



6 Marcus Montgomery must consider carefully the launch of Go-Go-Gym's new branch in Enniskillen.

(a) Identify the most appropriate method of promotion for Marcus to use to inform his potential clients that Go-Go-Gym will be opening in July 2014. [1 mark]

(b) Analyse how this method can be used to promote Go-Go-Gym's new branch effectively. [6 marks]

THIS IS THE END OF THE QUESTION PAPER

Continuation page (Use this page if you need more space to complete your answers.)

**Question
Number**

Number your answers clearly

Continuation page (Use this page if you need more space to complete your answers.)

Question Number

Number your answers clearly

SOURCES

Case Study..... Source: own source

For Examiner's use only	
Question Number	Marks
1	
2	
3	
4	
5	
6	
Total Marks	

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