

Centre Number						Candidate Number				
Surname										
Other Names										
Candidate Signature										

For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
TOTAL	



General Certificate of Secondary Education
June 2013

Business Studies

413001

Unit 1 Setting up a Business

Tuesday 21 May 2013 9.00 am to 10.00 am

You will need no other materials.
You may use a calculator.

Time allowed

- 1 hour

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.
- You are reminded of the need for good English and clear presentation in your answers. Quality of Written Communication will be assessed in questions 1(d), 2(d) and 3(c).



J U N 1 3 4 1 3 0 0 1 0 1

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

Total for this question: 21 marks

1 Read **Item A** and then answer the questions that follow.

Item A

Pet Food Supplies

Paul and Arianna loved working with animals. Two years ago, they set up a dog walking service. Several of their customers told them that the pet food they bought from local supermarkets was increasing in price and decreasing in quality. Now, in their last year at school, Paul and Arianna wondered whether they should set up their own pet food business. The business would buy pet food in bulk and then package this into smaller bags for delivery.

They had seen an advertisement to run a pet food franchise. To buy the franchise for their local area would cost them £5000. The advertisement also said that the pet food was popular because it was produced using methods that were ethical and sustainable. This meant that customers would be willing to pay a high price. The franchise would allow the two friends some freedom over how they promoted their products.

Neither Paul nor Arianna had much business experience. They thought that their first priority should be to write a good business plan. They also decided to visit the local bank to discuss a possible start-up loan to buy the franchise.



Source: photograph, Getty Images

1 (a) State **two** advantages of setting up as a franchise.

1

.....

2

.....

(2 marks)



1 (b) Explain **two** benefits to Paul and Arianna of writing a good business plan.

1

.....

.....

.....

Extra space

.....

2

.....

.....

.....

Extra space

.....

(4 marks)

1 (c) Explain how Paul and Arianna’s business would benefit from selling pet food that has been produced using methods that are ‘ethical and sustainable’.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(6 marks)

Turn over ▶



Extra space

.....

.....

.....

.....

.....

1 (d) Paul and Arianna would have some freedom in the way they promoted their pet food products to local households. They are considering two options:

- professionally designed and printed posters to be displayed in the 5 animal hospitals in the surrounding area for a year, these would cost £500
- a small advert in the local newspaper, which sells 10 000 copies, this would cost £250 a week.

Advise Paul and Arianna on which is likely to be the better option to make customers aware of their new business. Give reasons for your advice.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....



.....
.....
.....
.....

(9 marks)

Extra space

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

21

Turn over for the next question

Turn over ▶



Total for this question: 20 marks

2 Read **Item B** and then answer the questions that follow.

Item B

Neat and Smart Ltd

Neat and Smart Ltd was set up two years ago to provide good quality uniforms at reasonable prices to local schools. Each pupil is measured and the measurements for the uniforms are emailed to a manufacturer in India. The manufacturer uses job production to make each uniform and then sends the products back to the schools. The manufacturer insists on being paid with the order but *Neat and Smart Ltd* is finding it difficult to make parents pay when they pick up their orders. Sometimes, the parents do not collect or pay for their orders.



Neat and Smart Ltd has a small number of full-time staff in the UK who sort out the orders. The staff need to be paid all the year round. The company has an overdraft limit at the bank of £25 000 but this has a high rate of interest. The shareholders are worried about low profits.

The quality of the service provided by the manufacturer is causing problems. A recent delivery had several mistakes in the clothes sent. Orders have also not been arriving on time. Teachers at the schools are unhappy that pupils are unable to start the school year with the correct uniform. Parents are threatening to go back to other local uniform shops.

Source: photograph, Getty Images

2 (a) State **two** advantages for *Neat and Smart Ltd*'s supplier of using job production.

1.....
.....
2.....
.....

(2 marks)



2 (b) Using **Item B**, explain **one** benefit to *Neat and Smart Ltd* of being a private limited company.

.....
.....
.....
.....
.....
.....
.....
.....

(4 marks)

Extra space

.....
.....
.....

2 (c) Explain the importance of *Neat and Smart Ltd* providing a good service for its customers.

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

(5 marks)

Turn over ►



Extra space
.....
.....
.....

2 (d) *Neat and Smart Ltd* has just produced its cash-flow forecast for the next four months. It will have a cash flow problem in July and August. It is considering a 10% reduction in price to customers who pay in full when they order the uniforms.

	All figures in £			
	July	August	September	October
Cash in from sales	10 000	15 000	27 000	21 000
Cash outflows:				
Manufacturer	35 000	10 000	0	0
UK salaries	4 000	4 000	4 000	4 000
Advertising	2 000	2 000	1 000	1 000
Other expenses	1 000	1 000	1 000	1 000
Total cash outflows	42 000	17 000	6 000	6 000
Net cash flow	(32 000)	(2 000)	21 000	15 000
Opening balance	5 000	(27 000)	(29 000)	(8 000)
Closing balance	(27 000)	(29 000)	(8 000)	7 000

() indicate a negative amount

By referring to **Item B** and the table above, recommend to *Neat and Smart Ltd* whether a 10% reduction in price would be the **best** solution to the cash flow problem. Give reasons for your recommendation.

.....
.....
.....
.....
.....
.....
.....



.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(9 marks)

Extra space

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

20

Turn over for the next question

Turn over ▶



Total for this question: 19 marks

3 Read **Item C** and then answer the questions that follow.

Item C

After leaving school Jim Smith was employed in a garage for four years before setting up his own business servicing and repairing vehicles. He found a suitable workshop which he rented for a five-year period. The business started well as many of the customers from his previous employer came to him.



Five years later, Jim has a good number of customers and is now employing an untrained assistant to do the more basic work. However, his rent is increasing and profits have fallen. His assistant has recently been to see him because he is unhappy. He says the job is boring and that he is expected to work long hours in crowded and unpleasant conditions with only minimum pay.

Jim would like to make more profit and to build up his business. In last week's local paper he saw an advertisement offering a larger and more modern garage for sale in another area of the town which could attract a good passing trade. The garage would be expensive to buy and he would need to borrow a large sum of money. He is also worried whether his existing customers would be willing to travel to the new location.

Source: photograph, *Getty Images*

3 (a) Explain **two** ways that his assistant is protected by the law when working at the garage.

1

.....

.....

.....

.....

.....

.....

.....

.....

.....

(4 marks)



3 (b) Jim cannot afford to give his assistant a wage increase. Explain how non-monetary benefits could be used to improve his assistant's motivation.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(6 marks)

Extra space

.....

.....

.....

.....

.....

.....

.....

.....

.....

Question 3 continues on the next page

Turn over ►



3 (c)

Jim is concerned about his low profits and unhappy assistant. He is now considering buying a larger and more modern garage in another area of town.

Advise Jim on whether this would be a good idea. Give reasons for your advice.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(9 marks)

Extra space

.....

.....

.....



.....

.....

.....

.....

.....

19

END OF QUESTIONS



There are no questions printed on this page

**DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED**



There are no questions printed on this page

**DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED**



There are no questions printed on this page

**DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED**

