

Centre Number						Candidate Number				
Surname										
Other Names										
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
TOTAL	



General Certificate of Secondary Education  
June 2014

## Business Studies

**413001**

Unit 1 Setting up a Business

Wednesday 21 May 2014 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 each question 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).



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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**

Colin and Ciara had noticed that many of the houses in the area where they lived looked as if they needed a coat of paint. Having just left college they wondered whether house painting was a business idea that could make them a lot of profit. They asked their parents and friends what they thought of this idea. They were advised that they should decide on a legal structure for the business such as a private limited company or a partnership.



It was suggested that they should also look at other areas. A nearby town, for example, had much larger houses owned by wealthy people. Colin and Ciara would need a small van if they chose this option and they were worried whether there might be more competition there.

In order to see whether they could borrow some money to start up the business the two friends decided to go and see the bank manager.

Source: photograph, Getty Images

1 (a) Explain **one** benefit of setting up the business as a partnership.

**[2 marks]**

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1 (b) Explain how market research could be used to see if there is sufficient demand in the nearby town.

[4 marks]

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1 (c) Explain **two** factors that will influence where Colin and Ciara locate their house painting business.

[6 marks]

Factor 1 \_\_\_\_\_

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Factor 2 \_\_\_\_\_

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- 1 (d) Colin and Ciara have been given the use of a van by Colin’s parents but they will have to buy equipment before they start. The cost will be £1000 and they have only £500 in their savings. They will also need some finance to help their cash flow in the first few weeks of the business. Advise Colin and Ciara whether a loan or an overdraft would be more suitable. Give reasons for your advice.

**[9 marks]**

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**Total for this question: 21 marks**

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

**Item B**

Riding 4 All was set up to provide cheap horse riding lessons for inner city children. The children who came to the stables for the lessons thought it was wonderful and became regular customers, but overall numbers in the first year were not as good as expected.

The business has recently employed Rita as a riding instructor. Rita also has a real interest in improving the marketing of the business. Riding 4 All used some of her new marketing ideas and the number of children attending the stables has increased. The business would still like more new customers.

With business improving, the owner has realised that he now needs another riding instructor. He is not sure of how best to advertise for the new employee. He is also not clear about how much to pay them.



Source: photograph, Getty Images

**2 (a)** Explain **one** way in which Riding 4 All's customers are protected by the law. **[2 marks]**

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2 (b) Describe **two** suitable methods of advertising for a new riding instructor. **[4 marks]**

Method 1 \_\_\_\_\_

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Method 2 \_\_\_\_\_

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2 (c) Explain what factors will help the owner to decide how much the new instructor should be paid. **[6 marks]**

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**2 (d)** Riding 4 All wants to attract new customers. Rita has suggested that the most important part of a successful marketing mix for Riding 4 All is price. Do you agree with Rita? Give reasons to support your answer.

**[9 marks]**

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**Total for this question: 18 marks**

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

**Item C**

Community News has been a really important feature of life in East Downton for over twenty years. Its weekly mixture of local news, competitions and advertisements has meant that it has been popular with most households in the town. It was set up as a social enterprise with any surplus income being donated to local charities and other good causes.



Every week 6000 copies are sold at a price of 50p, but increasing costs have meant that Community News is currently making a loss of £300 per week. The manager is considering increasing the price but is worried that this will affect sales.

Four staff are currently employed to edit and print the paper. They each earn on average £250 per week. The manager believes that the staff could be reduced by the introduction of new printing technology. This might also solve recent complaints about print quality. He is worried, however, that any job losses might give the newspaper a bad reputation in the town and that staff might become demotivated.

Source: photograph, Getty Images

**3 (a)** Explain how Community News can measure whether it is successful.

**[4 marks]**

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3 (b) Explain how spending money on new printing technology might increase the efficiency of Community News. **[5 marks]**

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