

Centre Number						Candidate Number				
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Other Names										
Candidate Signature										

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



General Certificate of Secondary Education  
June 2015

# Business Studies (Short Course)

# 413013

Unit 13 Business Start Up

Wednesday 20 May 2015 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 40.
- 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) and 2(d).



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# 413013

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**

**Chloe's T-shirts**

Chloe recently left her job of 12 years making clothes in a factory to start her own business. Her business began customising high quality T-shirts for groups, including clubs, schools and sports teams. This would involve printing or embroidering names, logos or designs onto plain T-shirts that she would buy in bulk.

Chloe had no experience in running her own business. She hoped that she could get some advice from other entrepreneurs or organisations about setting up as a sole trader.

After taking advice from friends and family members, Chloe carried out some market research and produced a detailed business plan. She decided to buy second-hand machinery for her new business because new machinery was too expensive.

Chloe planned to use batch production to produce the T-shirts. Her first order was from a local football league to print training T-shirts for each of the different teams. Each team in the division had different colours and badges on its T-shirts.

Now that she has completed that first order, Chloe is worried about the future of the business, especially her cash flow. After the first large order, Chloe had received only a handful of small orders. She wonders whether this is because of the high prices she charges or whether she has failed to build up a strong reputation for customised, high quality T-shirts.

**Figure 1: Chloe's T-shirts' cash-flow forecast June – August 2015**

	All figures are in £		
	June	July	August
<b>Cash inflow from sales</b>	<b>300</b>	<b>500</b>	<b>400</b>
<b>Cash outflows:</b>			
Cost of T-shirts	60	100	80
Advertising	600	600	600
Other costs	940	900	1 020
<b>Total Cash outflows</b>	<b>1 600</b>	<b>1 600</b>	<b>1 700</b>
<b>Net Cash flow</b>	<b>(1 300)</b>	<b>(1 100)</b>	<b>(1 300)</b>
Opening balance	9 000	7 700	6 600
Closing balance	7 700	6 600	5 300

() indicates a negative amount



1 (a) State **two** organisations that Chloe could have contacted to get help and support for setting up and financing her new business. **[2 marks]**

Organisation 1 \_\_\_\_\_

\_\_\_\_\_

Organisation 2 \_\_\_\_\_

\_\_\_\_\_

1 (b) Explain **two** ways in which Chloe tried to reduce the risks involved in starting her business. **[4 marks]**

Way 1 \_\_\_\_\_

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Way 2 \_\_\_\_\_

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**Question 1 continues on the next page**



1 (c) Explain **one** advantage and **one** disadvantage for Chloe's business of using batch production.

[6 marks]

Advantage \_\_\_\_\_

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Disadvantage \_\_\_\_\_

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Extra space \_\_\_\_\_

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**1 (d)**

Chloe is considering how to improve her cash flow and has come up with **two** options:

- ask customers to pay in advance for their products
- reduce her advertising expenditure.

Recommend the best way for Chloe to improve her cash flow.

**[9 marks]**

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ANSWER IN THE SPACES PROVIDED**



**Turn over ►**

Total for this question: 19 marks

2

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

**Item B**

**Great Hair Ltd**

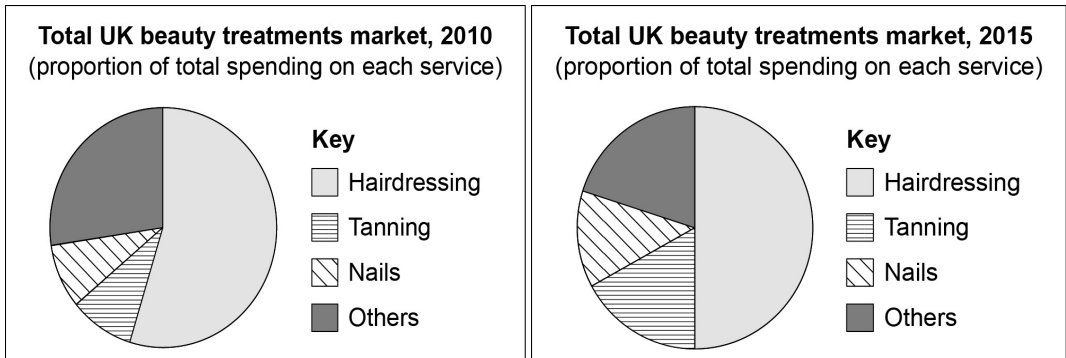
Jackie Jones started her hairdressing business, Great Hair Ltd, three years ago. Great Hair Ltd operates in a niche market specialising in high quality women’s hairstyling where customers are prepared to pay high prices. Most of the current customers are 25–34 years old.

The first two years of trading saw sales rise to £82 000 per year and the reputation of the business increase. However, in the third year of trading, Great Hair Ltd failed to meet its objective of increased sales. The main reason was the recent increase in competition from women’s only, high quality hairdressers in the local area.

Jackie takes pride in the quality of customer service that her business provides. This is due to the highly trained, skilled and motivated staff. She often praises her staff and holds regular meetings in which employees are encouraged to come up with new ideas to make the business better. In a recent meeting, one employee suggested that they could start offering different services to improve their sales.

Jackie asked some customers what extra services they might use and found that there was a demand for tanning and nail services. She believes that these services have become more popular over the past few years. Jackie has estimated that to introduce tanning and nail services would cost around £30 000.

The following charts seem to support her ideas.





**2 (a)** State **two** features of a niche market. **[2 marks]**

Feature 1 \_\_\_\_\_  
\_\_\_\_\_

Feature 2 \_\_\_\_\_  
\_\_\_\_\_

**2 (b)** Explain **one** reason why Jackie might have set business objectives when Great Hair Ltd first opened. **[2 marks]**

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**2 (c)** Explain **two** benefits to Great Hair Ltd of having motivated staff. **[6 marks]**

Benefit 1 \_\_\_\_\_  
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Benefit 2 \_\_\_\_\_

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- 2 (d) Jackie thinks that the most effective way to boost sales is to introduce new services such as tanning and nail services. Advise Jackie on whether this is the best way for her to improve the marketing of the business. Give reasons for your advice.

**[9 marks]**

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**END OF QUESTIONS**



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