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| Centre No. | | | | | | Paper Reference | | | | | Surname | Initial(s) | | |
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Paper Reference(s)

1171/3H

Edexcel GCSE

Business Studies & Economics

(Nuffield-BP)

Paper 3H – Problem Solving

Higher Tier

Monday 7 June 2010 – Morning

Time: 1 hour 15 minutes

Examiner's use only

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Team Leader's use only

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Materials required for examination
Nil

Items included with question papers
Nil

Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initial(s) and signature. The paper reference is shown at the top of this page. Check that you have the correct question paper. **Answer ALL the questions in Section A and ALL parts of the question in Section B.** Your answers to Section A and Section B must be written in the spaces provided in this question paper. Show all the steps in any calculations and state the units. Do not use pencil. Use blue or black ink.

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2). There are 8 questions in this question paper. The total mark for this paper is 100. There are 20 pages in this question paper. Any blank pages are indicated. Credit will be given for the use of recent examples, where relevant and appropriate. You may use a calculator. Quality of Written Communication will be assessed throughout this question paper.

Advice to Candidates

You are advised to spend the first fifteen minutes reading the question paper. You are reminded of the importance of clear English and careful presentation in your answers.

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Turn over

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Evidence A:**Premier Inn and the Leisure Market**

Whitbread is one of the UK's largest leisure and hotel companies. It owns the Premier Inn hotel brand. Premier Inn is an example of a "budget" hotel chain and offers a simple, clean room with a bathroom to each customer.

In 2009 the UK economy was in the recession phase of the business cycle and many people expect that leisure spending in the UK will fall. Despite this, Premier Inn has continued to do well, with profits increasing to £300 million. Prices for a room in a Premier Inn start from as little as £50 per night. Experts believe that the "budget" market segment of the hotel industry will treble in size by 2027.

Source: adapted from <http://www.whitbread.co.uk> and <http://www.premierinn.com> accessed on 7 January 2009

Evidence B:**New investment**

Premier Inn has made a large investment in a new telephone booking system that allows customers to book a room in any one of the company's hotels much more quickly. New advanced speech recognition software has reduced the time telephone bookings take from 7 minutes to less than 3 minutes. Trevor Elliot, development manager at Premier Inn, said "we expect that the investment... will boost productivity, allowing the company to make big savings". This should allow the company to improve its competitiveness.

Source: adapted from <http://www.speechtechmag.com/Articles/News/Industry-News/Premier-Travel-Inn-UK-Deploys-ScanSoft's-Speech-Based-Booking-System--30780.aspx> accessed on 2 January 2009



Evidence C:**Luxury Beds**

Vi-Spring produces some of the finest beds in the world. The company manufactures its products in its factory in Plymouth, UK. Every bed is hand made by craftsmen using only the best materials. Vi-Spring's latest model, the "Monarch", is priced at almost £25,000 and is one of the world's most expensive beds. The bed has over 3,000 springs and can be found in luxury hotels across Europe and America. Owners also include footballer David Beckham. Vi-Spring exports many of its beds abroad. Customers include luxury hotels and the super-rich.

Source: adapted from <http://www.vispring.co.uk> accessed on 3 January 2009

Evidence D:**Government Policies**

The government used different policies to try to reduce the worst effects of the economic downturn. It:

- cut Value Added Tax (VAT) from 17.5% to 15%
- provided incentives to businesses to help them survive
- brought forward spending plans on constructing new roads and building new schools and hospitals
- spent money on large projects such as the 2012 Olympic Games in London.

It hoped that this spending would help to boost the economy, but it needed to raise money by borrowing up to £100 billion.



Evidence E:**Expansion**

In 2009 Premier Inn was considering a £100 million expansion programme. The expansion will be targeted in London since the company expects the 2012 Olympic Games to generate more demand for its London hotels from foreign tourists. It is expected that the expansion will lead to large cost savings in the long-run.

Source: adapted from <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/2787820/Premier-Inn-grows-ready-for-Olympics.html> accessed on 6 January 2009



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Section A

Answer ALL of the questions in this section.

1. (See Evidence A)

(a) Using an example, explain what is meant by the term '*business cycle*'.

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(4)

(b) Using an example, explain what is meant by the term '*market segment*'.

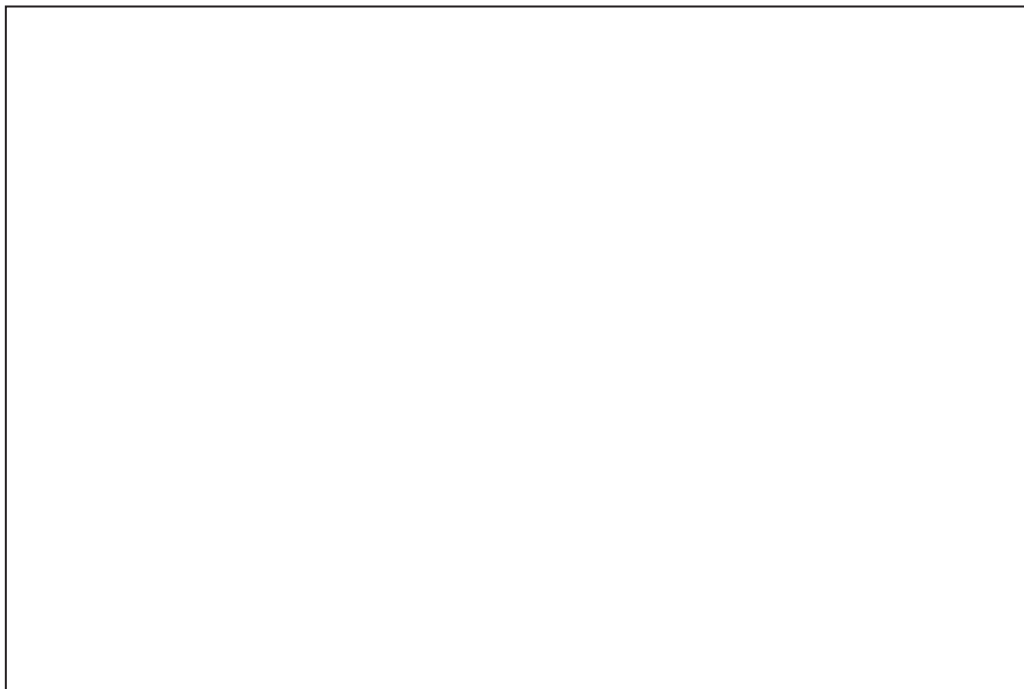
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Prices for a room in a Premier Inn start from £50 per night.

- (c) Explain the likely effects on price and the number of rooms bought and sold if there is a large increase in the demand for budget hotel rooms. You may use a diagram to help illustrate your answer.



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(8)

Q1

(Total 16 marks)

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Q2

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3. (See Evidence A)

By the end of 2008 Premier Inn had revenues of £1,200 million. Its cost of sales was £200 million and the overheads were £700 million. This resulted in gross profits of £1,000 million and operating profits of £300 million.

(a) Calculate the operating profit margin. Show the formula used and your workings.

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(4)

(b) Discuss **two** possible ways in which Premier Inn could increase its profit.

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(8)

(c) Identify and explain **one** way Premier Inn could benefit from the level of profit it makes.

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Q3

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6. (See Evidence C)

(a) Using an example, explain what is meant by the term '*export*'.

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(4)

(b) Identify and explain **one** difficulty for a business like Vi-Spring in selling its product abroad.

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(Total 8 marks)

Q6



Section B

You must answer ALL parts of the question in this section.

8. (See Evidence B)

Investment by a business such as Premier Inn can lead to improvements in productivity.

(a) Discuss **two** possible benefits of improved productivity to a business such as Premier Inn.

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(6)

(See Evidence C)

(b) Discuss **two** ways in which firms like Vi-Spring can adapt their marketing mix to boost their sales abroad.

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At the start of 2009, The Bank of England had reduced interest rates from 5% to 1%.

(c) Explain **two** ways this might have helped businesses such as Premier Inn and Vi-Spring.

Part 1

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Part 2

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