

General Certificate of Secondary Education
June 2008

**BUSINESS STUDIES SPECIFICATION A
Higher Tier**

Friday 23 May 2008 9.00 am to 11.00 am

3132/H

H



For this paper you must have:

- a clean copy of the Case Study (enclosed)
- a 12-page answer book.

You may use a calculator.

Time allowed: 2 hours

Instructions

- Use black ink or black ball-point pen.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is 3132/H.
- Answer **all** questions.
- Do all rough work in the answer book. Cross through any work you do not want to be marked.

Information

- The maximum mark for this paper is 105.
Five of these marks are for the Quality of Written Communication.
- The marks for questions are shown in brackets.
- You are reminded of the need for good English and clear presentation in your answers.
All questions should be answered in continuous prose. Quality of Written Communication will be assessed in all answers.

Advice

- You are advised to spend no more than 35 minutes on **Section A**.

SECTION A

Answer **all** questions in this section.

Total for this question: 12 marks

- 1 Explain briefly the meanings of the following Business Studies terms and **give an example** of each. Your examples can be drawn from the Case Study or from any other source.
- (a) Tax *(3 marks)*
 - (b) Multinational company *(3 marks)*
 - (c) Target market *(3 marks)*
 - (d) Investment *(3 marks)*

Total for this question: 6 marks

- 2 (a) What is meant by market research? *(2 marks)*
- (b) Describe **two** different types of market research that Kellogg's might use before it brings out a new type of breakfast cereal. *(4 marks)*

Total for this question: 6 marks

- 3 (a) What is meant by voluntary redundancy? *(2 marks)*
- (b) Give **two** reasons why jobs sometimes become redundant. *(4 marks)*

Total for this question: 6 marks

- 4 (a) What is meant by economies of scale? *(2 marks)*
- (b) Describe **two** economies of scale that a large business such as Kellogg's might have. *(4 marks)*

SECTION B

Answer **all** questions in this section.

Where appropriate, use examples from the Case Study to support your answers.

Total for this question: 14 marks

- 5** The demand for Kellogg's products is changing all the time. When the demand for a product is falling, Kellogg's will often use extension strategies. We are told on **page 6** of the Case Study that Kellogg's uses advertising as the main way to market its products.
- (a) Describe **two** extension strategies that Kellogg's might use if it finds the demand for All-Bran is falling. *(6 marks)*
- (b) Discuss whether you believe that Kellogg's is behaving ethically when it advertises 'Kids' Preferred' brands during children's television programmes. *(8 marks)*

Total for this question: 14 marks

- 6** Like most manufacturers, Kellogg's wants to be as efficient as possible. The Company allows some of its employees to work from home (called homeworking), rather than them having to come to an office each day.
- (a) Explain **two** ways in which the introduction of new machinery can increase Kellogg's efficiency. *(6 marks)*
- (b) Discuss whether increasing the amount of homeworking is likely to benefit Kellogg's. *(8 marks)*

Total for this question: 14 marks

- 7** Details of Kellogg's finances can be found on **page 9** of the Case Study. The graphs show that Kellogg's sales and its operating profit in Asia fell between 2005 and 2006.
- (a) (i) Calculate to 2 decimal places Kellogg's current ratio for 2005 and 2006. *(3 marks)*
- (ii) Explain why a low current ratio could be a concern for Kellogg's. *(3 marks)*
- (b) Discuss whether you believe that Kellogg's should withdraw from the less profitable markets. *(8 marks)*

Turn over ►

Total for this question: 14 marks

8 In 2007, several new countries joined the EU. We are also told on **page 5** of the Case Study that Kellogg's is influenced by the exchange rate.

- (a) Describe **two** ways in which Kellogg's could be affected by the increase in the size of the EU. *(6 marks)*
- (b) Discuss whether changes in exchange rates will affect Kellogg's profits. *(8 marks)*

Total for this question: 14 marks

9 Imagine that a major supermarket chain wishes to buy Kellogg's cereals, which would then be packaged and sold to consumers as the supermarket's own brand.

You are a business consultant and have been asked by Kellogg's to consider the issue. Write a report to the Board of Directors advising it whether or not Kellogg's should supply this supermarket chain with cereals.

In your report, you need to:

- identify both sides of the argument for Kellogg's allowing its products to be sold as a supermarket's own brand;
- analyse the issues that you have raised;
- make judgements on these issues and form a clear recommendation to make to Kellogg's. *(14 marks)*

END OF QUESTIONS