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General Certificate of Secondary Education June 2006

BUSINESS STUDIES SPECIFICATION B 3133/9/1F BUSINESS STUDIES SPECIFICATION B (SHORT COURSE) Paper 1 Foundation Tier



Thursday 15 June 2006 1.30 pm to 2.45 pm

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

Time allowed: 1 hour 15 minutes

Instructions

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer all questions.
- Answer the questions in the spaces provided.
- Do all rough work in this book. Cross through any work you do not want marked.
- If you need additional space, you should continue your answers at the end of this book, indicating clearly which question you are answering.

Information

- The maximum mark for this paper is 105.
 5 of these marks are for the Quality of Written Communication.
- The marks for questions are shown in brackets.
- You should use examples wherever appropriate to support your explanations or argument.
- 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.

For Examiner's Use								
Number	Mark	Number	Mark					
1		9						
2		10						
3		11						
4		12						
5								
6								
7								
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Quality of Written Communication								
TOTAL								
Examiner's Initials								

Answer **all** questions.

Read and use **Data** A to help you answer Questions 1 to 4.

Data A

Rhiann Lacey spent over 10 years working in the dairy products industry. By 2000, she was the manager of the Edinburgh branch of a small chain of cheese shops. After 18 months in the job, Rhiann decided she wanted to open her own cheese shop in her home town of Dunbar. The only real competition was from the town's supermarket which had a cheese counter.



Rhiann estimated that her new venture would cost £65 000 to set up. She had £20 000 of savings that she was willing to invest in the business. She felt that a bank could be persuaded to lend her the rest of the money. Rhiann was determined to set up as a sole trader, but knew that one of her friends, Angus, who had savings of £25 000 was interested in starting up a similar business.

Describe three possible reasons why Rhiann decided to open her own cheese shop.				
(6 marks)				

2	Rhiann needed to complete a business plan for the bank. She started with her personal details like her name and address. Describe three other main items that Rhiann should include in her business plan.
	(6 marks)

3	Explain why the bank wanted Rhiann's business plan before deciding whether to give her a loan.
	(6 marks)

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(12 marks)

Read and use **Data B** to help you answer Questions 5 and 6.

Data B

Before making the decision to open her shop, Rhiann carried out market research. She used secondary data on both the dairy products market and on the population of the Dunbar area. Rhiann backed this up by collecting primary data through field research with potential customers. Her market research showed there was a demand for a wide range of cheese including specialist locally produced ones. The research also showed that providing expert advice, together with the sale of complementary products, such as biscuits, was also important.

5	Explain how secondary data will help Rhiann in setting up her business.
	(9 marks)

- 6 Rhiann considered using two methods of field research to collect primary data:
 - A telephone survey
 - Group cheese tasting sessions

Compare the advantages and disadvantages of each method and advise Rhiann on which method would be most suitable for her business.
(12 marks)

Read and use **Data** C to help you answer Questions 7 to 9.

Data C

Rhiann opened her shop, the 'Cheese Board' in November 2001. Her main supplier was a specialist cheese wholesaler. She also bought directly from a local farm, that had won awards for the quality of its speciality cheeses. Rhiann knew it was vital to control her stocks. She also knew that it was important to control her cash flow and to maintain quality.

In the first three months after opening the 'Cheese Board', 95% of her total sales were to individual customers calling at the shop. However, within six months she had increased her sales to hotels and restaurants to 20% of her total sales.

7	Using Rhiann's cheese shop business as an example, explain the term 'channels of distribution'.
	(5 marks)

8	Explain why it is important for Rhiann to control her stocks of cheese.
	(6 marks)
	(O marks)

9	Explain why it is important for Rhiann to control her cash flow.
	(6 marks)

Read and use **Data D** to help you answer Questions 10 to 12.

Data D

At the end of her fourth year in business Rhiann was considering expanding her business. She reviewed her financial position by using the following figures from her accounts at the end of November 2005. She compared them to figures for 2004.

	2005	2004
	${f \pounds}$	£
Sales Revenue	150 000	140 000
Gross Profit	75 000	74 200
Gross Profit to Sales ratio	50%	53%
Net Profit	21 000	16 800
Net Profit to Sales ratio	14%	12%

In 2005, she estimated her average selling price of 1 kg of cheese at £8.50. The variable costs were £2.50 per 1 kg. Rhiann's fixed costs were £54000.

) What is meant by the break-even point?	(a)	10 (a)
(2 marks)			

8

(b)	Showing your working, calculate the break-even point for Rhiann's business in 2005.
	(6 marks)

1	Using the data and appropriate calculations, explain whether Rhiann's business has improved between 2004 and 2005.

- 12 Rhiann was considering two alternative options for expansion.
 - To open another cheese shop, in Berwick, 40 miles away, at an approximate cost of £80 000
 - To extend the existing shop in Dunbar, adding the sale of biscuits, bread, and wine alongside the cheeses, at an approximate cost of £45 000

Compare the possible advantages and disadvantages of each option and advise Rhiann on which you think would be best.				

(12 marks)