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| Centre Number | | Candidate Number | |
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| For Examiner's Use |
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General Certificate of Secondary Education
June 2007



BUSINESS STUDIES SPECIFICATION B 3133/9/1H
BUSINESS STUDIES SPECIFICATION B (SHORT COURSE)
Paper 1
Higher Tier

H

Thursday 14 June 2007 1.30 pm to 2.45 pm

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| <p>You will need no other materials. You may use a calculator.</p> |
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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 to be 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 94.
Four of these marks will be awarded 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 | | | |
|----------------------------------|------|----------|------|
| Question | Mark | Question | Mark |
| 1 | | 7 | |
| 2 | | 8 | |
| 3 | | 9 | |
| 4 | | 10 | |
| 5 | | | |
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| Total (Column 1) | | → | |
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| Quality of Written Communication | | | |
| TOTAL | | | |
| Examiner's Initials | | | |

Answer **all** questions in the spaces provided.

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

Data A

Dave has 10 years' experience as a photographer working in the newspaper and advertising industries. In August 2004, Dave was made redundant and decided to set up his own photographic shop. His idea was to develop colour films and to produce prints from customers' digital cameras. Dave thought that there was a gap in the market for this type of business in his home town of Castington. He felt sure that he could earn a reasonable living from the business and had decided that it was time to take more control of his life.

Before approaching a bank with a proposal for a bank loan, Dave decided to carry out some market research for his business plan. He wanted to find out whether there was a demand for his business idea. Dave estimated that it would take £50 000 to start up his own photographic shop. He planned to rent the shop but would need to buy furniture and the equipment for developing and printing films. Dave also calculated that running costs would average £120 000 a year.

1 Describe **three** possible reasons for Dave deciding to start his own business.

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(6 marks)

6

4 Using **two** examples, explain what is meant by ‘running costs’.

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(4 marks)

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| 4 |

Turn over for the next question

Turn over ►

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

Data B

Dave found a suitable shop and finished his business plan, but then he spotted an advertisement in the local newspaper. Photoservices plc – a nationwide chain of shops offering photographic services – was looking for people to start up new franchises. Franchisees would need to invest £55 000 towards the start-up of the business, including the purchase of equipment. They would also have to pay an annual fee of £5 000 per year to Photoservices plc. As a franchisee, Dave would then be responsible for all other running costs of the franchise.

- 5 Compare the advantages of Dave starting up his own business with the advantages of his operating as a franchisee for Photoservices plc. Advise Dave on his best course of action and justify your choice.

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Turn over for the next question

Turn over ▶

Read and use **Data C** to help you to answer Questions 6 and 7.

Data C

Dave decided to set up his own shop and opened his business in November 2004. Within 6 months, he had already expanded his service. He employed a part-time assistant to cover the average two days a week that he spent photographing weddings. In November 2006, two years after starting up, Dave decided to review his business performance and set out the following figures.

| | Actual figures for the year ended 30 November 2005 | Targets for the year ended 30 November 2006 (taken from Dave's business plan) | Actual figures for the year ended 30 November 2006 |
|--------------------------------|--|--|--|
| Sales Revenue | £150 000 | £160 000 | £180 000 |
| Gross Profit | £120 000 | £125 000 | £140 000 |
| Expenses | £110 000 | £109 000 | £125 000 |
| Net Profit | £10 000 | £16 000 | £15 000 |
| Gross Profit Margin / Ratio | 80.0 % | 78.1 % | 77.8 % |
| Net Profit Margin / Ratio | | 10.0 % | |

Read and use **Data D** to help you to answer Questions 8 to 10.

Data D

Dave found that he was using a lot of special paper to print photographs. He was unhappy with his existing supplier and wanted to find a manufacturer that would supply him with exactly what he wanted. For his business, the price and quality of the paper were the most important things. Dave also wanted to find a manufacturer who shared his concern for the environment.

He finally decided to obtain his paper from a large manufacturer, Paperplus plc. The wood with which Paperplus plc makes the paper is supplied by the Green Forestry Co of Sweden. Dave's business comes at the end of a chain of production that involves primary, secondary and tertiary production.

Paperplus plc was about to buy new machinery to increase its efficiency and to reduce its 10 % wastage figure. The paper is manufactured using batch production. Production runs usually last for an hour followed by a short break in which the machinery is checked and the chemical tanks are refilled.

9 Paperplus plc allows Dave 30 days of trade credit when it supplies him with paper. Explain how this will help Dave's business.

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(4 marks)

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