

Surname											Other Names											
Centre Number												Candidate Number										
Candidate Signature																						

For Examiner's Use

General Certificate of Secondary Education
June 2008

**BUSINESS STUDIES SPECIFICATION B
BUSINESS STUDIES SPECIFICATION B
(SHORT COURSE)**

**Paper 2
Higher Tier**

3133/9/2H

H



Tuesday 10 June 2008 1.30 pm to 2.30 pm

<p>For this paper you must have:</p> <ul style="list-style-type: none"> a case study booklet (enclosed). <p>You may use a calculator.</p>

Time allowed: 1 hour

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer the task in the space provided. Answers written in margins or on blank pages will not be marked.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The maximum mark for this paper is 59. Three of these marks will be awarded for using good English, organising information clearly and using specialist vocabulary where appropriate.
- The marking criteria and the allocation of marks are given on page 2.
- You should use examples wherever appropriate to support your explanations or argument.

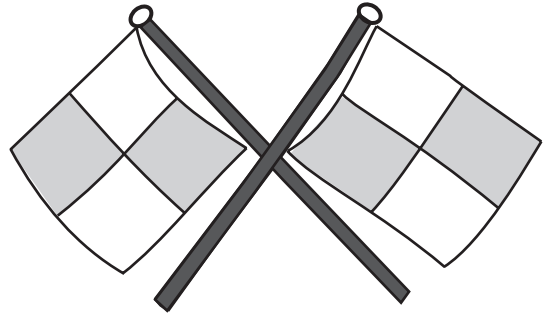
Advice

- Read the case study before attempting to answer the task.
- You are advised to spend 15 minutes reading the task, reading through all the data in the case study and identifying parts of the data that you might use in your written report.
- You are advised to spend up to 45 minutes writing the report.

For Examiner's Use			
Criteria	Mark	Criteria	Mark
A			
B			
C			
Total (Column 1) →			
Total (Column 2) →			
Quality of Written Communication			
TOTAL			
Examiner's Initials			



Craig Murphy started work as an apprentice in a local business that printed tee-shirts, baseball caps and other souvenir items. Although he greatly enjoyed the work, and picked up many skills whilst working there, he eventually decided to start his own business. The appeal of being the main decision-maker and the potential to earn high levels of profit were very attractive prospects. Craig had noticed that more people were displaying flags outside their houses during large sporting events. He saw an opportunity to take advantage of this growing market.



He used the manufacturing skills and knowledge he had gained in his previous job to start *Flag City Ltd*, a small company that manufactures a small range of flags.

After two years of slow but steady sales, Craig received a large order from a major supermarket chain for 20 000 of his cheaper 'Economy flags'. In order to produce the quantity required, Craig purchased extra materials, bought in new machinery and hired more workers.

Then, last week, the supermarket contacted Craig to tell him that the order for 'Economy flags' was being cancelled.

Your role

You work as a business adviser and have been appointed by *Flag City Ltd* to give Craig advice on what he should do now.

Your task

Use the data in the case study booklet and your knowledge of business studies to write a report for Craig.

Your report should:

- describe the various problems currently faced by *Flag City Ltd*;
- identify and describe possible ways for *Flag City Ltd* to survive;
- discuss which pieces of data will be of **most** use to Craig when deciding what to do;
- recommend to Craig the most appropriate course of action for *Flag City Ltd* to take. Explain how the advantages of this course of action outweigh the disadvantages. Use the data to justify your course of action.

Your report will be assessed on your ability to:

- A. apply your knowledge and understanding of appropriate terms, concepts, theories and methods to address the problem; (16 marks)
- B. select, organise, interpret and use information to analyse the business problem; (20 marks)
- C. evaluate evidence, make reasoned judgements, and present accurate and appropriate conclusions; (20 marks)
- D. demonstrate appropriate quality of written communication. (3 marks)

(Total: 59 marks)



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Turn over ▶



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Handwriting practice area with 25 horizontal dotted lines.

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BUSINESS STUDIES SPECIFICATION B
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Paper 2

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Tuesday 10 June 2008 1.30 pm to 2.30 pm

CASE STUDY BOOKLET

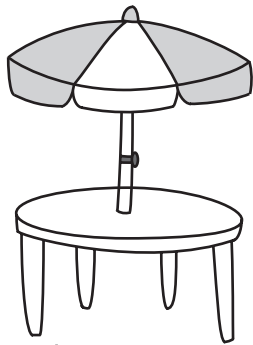
Read this case study before attempting to answer the questions.

Study **all** the information before attempting to answer the questions.

Data 1

Extract from an advertisement by *Blowing in the Wind Ltd*, a competitor of *Flag City Ltd*

You know we sell flags, but what about all your other display requirements? Did you know we also sell:



Parasols and umbrellas

Banners

Table flags



Bunting

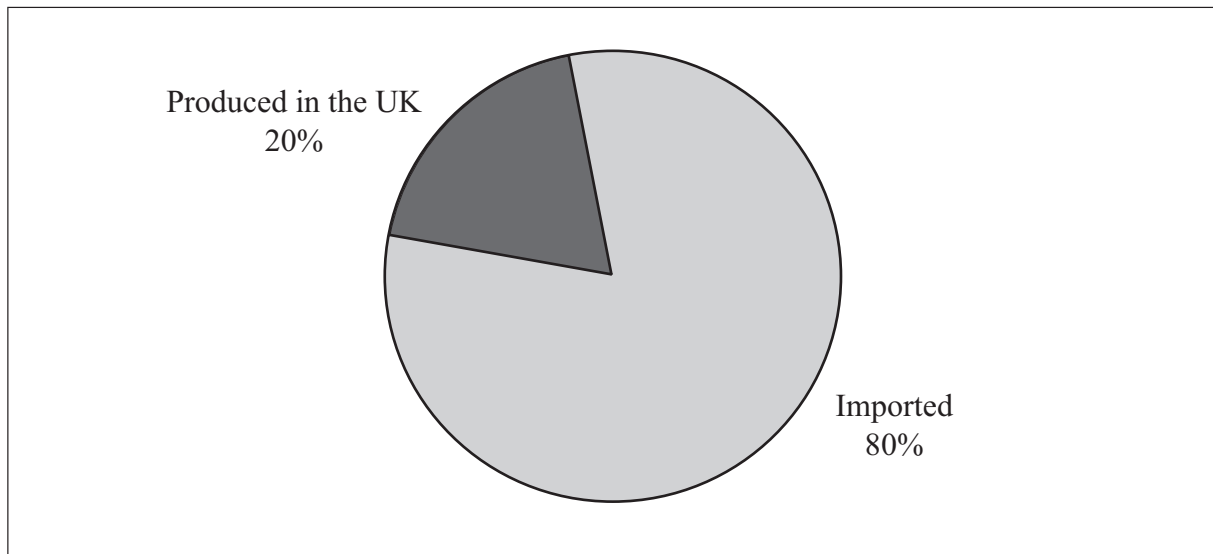
Display stands

Golf pin flags

If you want your name to be seen, we are the business that will let people know about you.

- Increase market awareness
- Boost your sales
- Watch those profits rise!

Make *Blowing in the Wind Ltd* first for all your display requirements

Data 2**Source of flags sold in the UK during 2007****Data 3****Original cash-flow forecast for 2008, for *Flag City Ltd* showing the expected effect of the large supermarket order**

All the figures are £s and we are now in June

Month	May	June	July	August	September	October
Balance brought forward	10 000	-18 500	-15 500	-15 500	-500	14 500
Cash in						
Sales	10 000	10 000	10 000	10 000	10 000	10 000
Supermarket sales	0	0	0	15 000	15 000	15 000
Total cash in	<u>10 000</u>	<u>10 000</u>	<u>10 000</u>	<u>25 000</u>	<u>25 000</u>	<u>25 000</u>
Cash out						
Materials	9 500	0	0	0	0	15 000
Wages	2 000	5 000	5 000	5 000	5 000	5 000
New machinery	25 000	0	0	0	0	0
Other expenses	2 000	2 000	5 000	5 000	5 000	5 000
Total cash out	<u>38 500</u>	<u>7 000</u>	<u>10 000</u>	<u>10 000</u>	<u>10 000</u>	<u>25 000</u>
Net cash flow	-28 500	3 000	0	15 000	15 000	0
Balance carried forward	-18 500	-15 500	-15 500	-500	14 500	14 500

Turn over ►

Data 4

Websites4U advertisement showing the cost of running a website

Websites4U Special Offer at only £399 per annum

- Up to 4 pages of your choice
- FREE web hosting for the first year
- FREE .co.uk domain name
- Unlimited email
- Easy to use navigation buttons
- Priority listing through major search engines
- Add extra pages at only £50 per page

Websites4U have a track record of creating imaginative, great value websites that will get you into markets you never realised were out there!

**For further information, contact us at
Sales@Websites4U.co.uk**

Data 5

Breakdown of unit costs in producing an 'Economy flag' at *Flag City Ltd*

Wages	£2
Materials	£1
Other expenses	£2
Profit mark-up	100%

Data 6**Offers received from two other UK supermarkets
for *Flag City Ltd's* 'Economy flag'**

	Quantity they would buy	Amount they would pay
Supermarket A	15 000	£60 000
Supermarket B	20 000	£70 000

Data 7**A recent newspaper article (May 2008) on changing UK shopping habits*****"Is it the lowest price that wins you Customers?"***

It is becoming increasingly clear that the typical UK consumer is becoming far more critical of the products they buy.

An increasing number of consumers are opting **not** to buy the ever-cheaper products that fill our high street shops. Many of these products have been produced abroad using very cheap labour in what many still call 'sweat-shop' conditions. This has led to many consumers looking for alternative UK suppliers who are more 'ethical'.

This move away from cheap imported produce is most noticeable in food, clothing and decorative/display goods.

The Confederation of British Industry (CBI) is an important organisation that represents companies in the UK. Their spokesperson said, "There is a real opportunity for British businesses to market themselves as caring employers who pay their employees decent wages in producing a quality product".

Turn over ►

Data 8

Comments made by the Managing Director of *Blowing in the Wind Ltd*, one of the main competitors of *Flag City Ltd*, at a recent business conference

“Today’s consumer is interested only in getting the products they want at the cheapest possible prices. We will continue to have low pricing as our major marketing tactic, and unless our competitors do the same they will struggle to gain sales. We have targeted the supermarket sector as a previously unexplored market and believe we can offer the low prices they are looking for.”

Data 9

Market research results

Flag City Ltd carried out some market research last year into their UK competitors.

Number of other major producers in the UK: 8

Three most common promotion methods:

1. Advertising
2. Free delivery on large orders
3. Reduced prices if buying online

Nearest flag producer to *Flag City Ltd*: 90 miles

Average prices compared with <i>Flag City Ltd</i> 's prices:	Above	5
	Similar	2
	Below	1

Data 10

Statistics on company liquidations last year

Company liquidations rose by 11% last year and are now running at over 18 000 per year.

The three major reasons given for the failure of small businesses are:

- difficulty in delegating
- lack of forward planning
- inability to market new products successfully.

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