Centre No.						Paper Reference							Surname	Initial(s)
Candidate No.						1	5	0	3	/	0	2	Signature	

Paper Reference(s)

1503/02

Edexcel GCSE

Business Studies

Paper 2H

Higher Tier

Thursday 15 June 2006 – Afternoon

Time: 2 hours

Examiner's use only

Team Leader's use only

Question Number	Leave Blank
1	
2	
3	
4	
5	
QWC	
Total	

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.
Answer **ALL** questions.
Write your answers in the spaces provided in this question paper.

Information for Candidates

The total mark for this paper is 105. The marks for the various questions are shown in round brackets: e.g. **(2)**.
There are 16 pages in this question paper. All blank pages are indicated.
There are 5 marks for the quality of written communication.
You may not use a dictionary.
You may use a calculator.

Advice to Candidates

You are reminded that you will be assessed on the quality of written communication.
Remember to show all stages in any calculations and to state the units.

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CONTEXT – EPP

Excel Pictures plc (EPP) is the largest film production and cinema group in the world. Besides studios and cinemas in America it operates cinemas in eleven other countries, including Austria, Japan and Germany. At present it operates 38 cinemas in the UK with a total of 380 screens and is continuing to expand.

EPP's objectives are:

- *to create a culture and an environment that eliminates unfair discrimination and promotes productive working relationships based on the unique contribution of the individuals in all of its operation*
- *to increase sales and maximise profits*
- *to improve customer satisfaction by maintaining a market-oriented approach*
- *to increase the size of the business.*

The films shown in EPP cinemas are delivered around the UK from a distribution centre in Preston, Lancashire. The distribution centre acts as a wholesaler which stores and distributes all central items such as film posters and name badges.

Currently over 20 million people in the UK visit EPP cinemas every year and another of EPP's objectives is to attract as many of these cinemagoers as possible.

Of its customers, EPP says:

'... we want all our customers to enjoy going to the cinema and we want them to make return visits'.

EPP employs 2 700 full-time and part-time staff in the UK to make sure customers who visit its cinemas have an enjoyable time. Each cinema recruits its employees locally. These employees are offered a range of employment opportunities, a training and benefits package which includes a pension and other non-financial incentive schemes.

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Answer ALL questions

1. As it owns 38 cinemas in the UK, EPP benefits from economies of scale.

(a) (i) What is meant by economies of scale?

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(2)

(ii) How might each of the following economies of scale benefit EPP?

- Purchasing/marketing
- Managerial
- Financial

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EPP is the largest film production and cinema group in the world. It operates cinemas in twelve countries.

Managing such a large organisation can cause communication and motivation problems.

(b) (i) Explain what the communication problems might be.

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(ii) Consider the effects that poor motivation might have on employees at any EPP cinema.

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Q1

(Total 20 marks)

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2. EPP's distribution centre in Preston acts as a wholesaler for many of the products EPP sells in its cinemas.

(a) (i) What is a wholesaler?

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(ii) Explain the benefits to EPP of acting as a wholesaler.

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It is important that EPP considers each part of its marketing mix – the 4Ps.

(b) (i) Explain how the price and place parts of the marketing mix are used in business.

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QUESTION 2 CONTINUES ON THE NEXT PAGE

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EPP offers a range of products that appeal to different age groups.

(ii) Why does it do this?

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(Total 20 marks)

Q2

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3. The following is an extract from the balance sheet of EPP for 2005.

	£	£
Fixed assets		
Premises		6 041 000
Equipment		2 000 000
Current assets	4 671 000	
less Current liabilities	2 328 000	
Working capital		2 343 000
Net assets		10 384 000
Financed by:		
Shareholders' funds	6 996 000	
Reserves	1 728 000	
Retained profit	1 161 000	
Long-term liabilities		
Loan	499 000	
Capital employed		10 384 000

(a) (i) Give TWO examples of current assets.

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(ii) State TWO uses of working capital.

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(iii) Describe TWO benefits to EPP of having retained profit.

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$$\text{Return on capital employed (ROCE)} = \frac{\text{Net profit}}{\text{Capital employed}} \times 100$$

(iv) If the net profit for 2005 was £2 500 000, calculate the return on capital employed (ROCE).

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(v) What does the ROCE ratio indicate to the directors of EPP and its shareholders?

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Financial ratios are calculated by using figures from the accounts of a business. The results can then be analysed.

(b) Consider the benefits you think businesses gain from using ratio analysis.

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Q3

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4. EPP employs 2 700 employees in the UK, most of whom are recruited locally.

(a) How might EPP recruit new employees from the local area?

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(4)

All employees are offered training as part of their career development within EPP. On-the-job training is the preferred method of training for the employees.

(b) Explain why the directors of EPP prefer on-the-job training.

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EPP offers its employees a generous benefits package.

(c) (i) Identify FOUR **non-financial** incentives EPP might use to motivate employees.

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(ii) Discuss whether you think money is the main motivator for employees.

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(Total 20 marks)

Q4

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5. EPP is a public limited company (plc) and one of its objectives is expansion.

(a) Explain the characteristics of a public limited company and whether you think plc status will help EPP achieve its objective of expansion.

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EPP's objectives are to

- expand the business
- create a culture and environment that eliminates discrimination
- improve customer satisfaction.

(b) Suggest how EPP can judge whether it has achieved these objectives and why it is important that it does this.

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(12) **Q5**

(Total 20 marks)

Quality of Written Communication: 5 marks

TOTAL FOR PAPER: 105 MARKS

END

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