

GCSE

Edexcel GCSE

Business Studies (1503)

Summer 2006

Results

Edexcel is one of the leading examining and awarding bodies in the UK and throughout the world. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers.

Through a network of UK and overseas offices, Edexcel's centres receive the support they need to help them deliver their education and training programmes to learners.

For further information please call our Customer Services on 0870 240 9800, or visit our website at www.edexcel.org.uk.

Summer 2006

Publications Code UG 017745

All the material in this publication is copyright
© Edexcel Ltd 2006

Contents

1503 01 Business Studies.....	5
1503 02 Business Studies.....	13

1503 01 Business Studies

1(a) For each of the questions write the letter A, B, C or D ...
(AO1 - Demonstrate = 5 marks)

- (i) D
 - (ii) B
 - (iii) A
 - (iv) D
 - (v) A
- 5 marks

(b)(i) What is cash flow?
(AO1 - Demonstrate = 1)

money in/out of a business 1 mark

(ii) Identify ONE type of desk research.
(AO1 - Demonstrate = 1)

government statistics/specialist articles/internet/existing market research reports/sales figures
1 mark

(iii) Define the term job production
(AO1 - Demonstrate = 1)

one product made at a time eg a bridge/wedding dress 1 mark

(iv) What is meant by Just in Time (JIT)?
(AO1 - Demonstrate = 1)

goods delivered when needed 1 mark

(v) What is the maximum number of partners allowed in a partnership?
(AO1 - Demonstrate = 1)

20 1 mark

(c)(i) Which was the most popular film?
(AO1 - Demonstrate = 1)

Under the Sky 1 mark

(ii) What was the difference between the number of admissions for the most and least popular films?

(AO1 - Demonstrate = 1)

60,000 - 15,000 = 45,000

1 mark

(iii) Calculate the total number of admissions for 2005.

(AO2 - Apply = 1)

190,000

1 mark

(iv) Suggest how these figures help the manager of this cinema plan which films to show

(AO4 - 2 marks)

because he/she knows which films are popular in this cinema so he/she can make sure these type of films are shown to please regulars

2 marks

(v) Explain ONE way the manager might advertise films to be shown in the future and give reasons for your choice.

(AO3 - Select/analyse = 3)

Valid points could include:

(local newspaper) - covers local region/people know to look in the local paper for cinema listings

(in the cinema itself) - cinemagoers see what is on and plan/book ahead

3 marks

(vi) Is there anything else the manager could do to encourage people to come to this cinema?

(AO3 - Select/analyse = 2)

Valid points could include:

promotions - price reductions/gifts/free tickets/competitions

2 marks

Total 20 Marks

2(a)(i) Put the following into the order they come in the recruitment process.
(AO1 - Demonstrate = 3)

advertisement
application form
short list
interview
job offer
induction training
(6 = 3, 5-4 = 2, 3-1 = 1)

3 marks

(ii) Why are job applicants at EPP invited for interview?
(AO2 - Apply = 6)

Valid points could include:
helps assess prospective employee - appearance - is it acceptable
helps assess suitability for job - skills - can they do the job
gives impression of employee - polite - can communicate
gives employee opportunity of seeing premises/asking questions - do they want the job

Level 2
Candidate applies sound knowledge

2-6 marks

Level 1
Candidate demonstrates basic knowledge

1 marks

(iii) Explain TWO other questions that might be asked.
(AO3 - Select/Analyse = 4)

Valid points could include:
details of their personality - are they cheerful - will they fit in
honesty - EPP do not want people who steal - reputation
reliability - can they be relied upon to do a job well - no mistakes
1 ANSWER - MAX 3 MARKS

4 marks

(b) Why do you think this training will benefit EPP and its employees?
(AO4 - Evaluation = 7 marks)

Valid points could include:
yes because
employees trained in the way they want - their methods
employees working while training - more productive
not as expensive as other forms of training - more cost effective
employees gain qualifications - may lead to promotion
employees learning new skills - motivated
no because
training may only be relevant to EPP - will not help employees in future
mistakes may be made during training - costly
if training off site - employee not productive
once trained employees may leave - need to recruit and/or retrain someone else

Level 2
Candidate makes sound judgement(s)

5-7 marks

Level 1
Candidate makes basic judgement(s)

1-4 marks

Total 20 Marks

3(a) Explain how EPP might try to achieve these objectives.
(AO1 - Demonstrate = 2, AO2 - Apply = 2, AO3 - Select/Analyse = 2)

Valid points could include:

(profit) - sell more/keep costs down

(customer satisfaction) - provide customers with what they want - good quality

(increase sales) - advertise the cinemas - put on promotions

Level 3

Candidate analyses ways

5-6 marks

In order to try to increase profit, EPP could try to sell more tickets by maybe putting on special offers or special events to encourage more people to come eg children's cinema. To improve customer satisfaction, EPP needs to make sure the experience customers have at the cinema is enjoyable and comfortable. EPP can do this by constantly monitoring the service they offer and ensuring the films and deals on offer appeal to their customers. An advertising/promotional campaign maybe run nationally tied in with specific films which would encourage customers eg having Finding Nemo toys and other items available at McDonalds, leading hopefully to an increase in sales.

Level 2

Candidate applies knowledge

3-4 marks

Level 1

Candidate demonstrates basic knowledge

1-2 marks

(b)(i) What are shareholders?

(AO1 - Demonstrate = 2)

people who own the company - people who invest in the business

2 marks

(ii) Why do you think limited liability is seen as a benefit to shareholders?

(AO3 - Select/Analyse = 2, AO4 - Evaluate = 2)

Valid points could include:

because

if the business goes bust the shareholders only lose the amount of their investment not their personal possessions - encourages them to invest - less risky

Level 2

Candidate makes judgement(s)

3-4 marks

Level 1

Candidate analyses

1-2 marks

(c)(i) Calculate the missing figures and write them below.
(AO2 - Apply = 2)

£2,343,000 (1)
£499,000 (1)

NB Accept with or without £ sign. 2 marks

(ii) If the net profit for 2005 was £2,500,000, calculate the return on capital employed (ROCE).
(AO2 - Apply = 2)

$\frac{2,500,000}{10,384,000} = 24\%$
If incorrect but right method 1 mark

NB Accept with or without % sign, but not £ sign.
Allow decimal points. 2 marks

(iii) How would EPP know whether the ROCE calculated in (c)(ii) is a good return or not?
(AO3 - Select/Analyse = 2)

Valid points could include:
compare with previous years to see whether improved or deteriorated
ROCE earned by other businesses - is EPP competitive? 2 marks

(iv) Suggest what a shareholder might do if they were not happy with this percentage return
(AO4 - Evaluation = 2)

sell their shares - because shows lack of confidence in business
invest in a bank/building society - less risky/better return 2 marks

4(a)(i) What is meant by economies of scale?
(AO1 - Demonstrate = 2)

advantages gained due to an increase in size 2 marks

(ii) How might each of the following economies of scale benefit EPP?
(AO3 - Select/Analyse = 6)

Valid points could include:
(purchasing/marketing) - bulk buying - lowers the unit price - saves costs
(managerial) - can employ more specialists - more efficient/experienced
(financial) - easier to raise capital - better lending terms/interest rates - for expansion

Level 2
Candidate makes sound analysis 4-6 marks

Level 1
Candidate makes basic analysis 1-3 marks

IF NOT ALL 3 MAX 4 MARKS Total 20 Marks

(b)(i) Explain what the communication problems might be.
(AO1 - Demonstrate = 1, AO2 - Apply = 6 marks)

Valid points could include:
language too difficult - cannot be understood
unsuitable method - too slow
employees do not have necessary skills - need training
no feedback received - no confirmation
tall hierarchy - too many people
physical barriers - poor phone line/reception
equipment breakdown

Level 2
Candidate applies sound knowledge 2-7 marks

Level 1
Candidate demonstrates basic knowledge 1 mark

(ii) Consider the effects that poor motivation might have on employees at any EPP cinema.
(AO3 - Select/Analyse = 1, AO4 - Evaluation = 4)

Valid points could include:
staff could work less hard - less productive - less efficient - more mistakes
show less commitment - be unhappy in their jobs - inflexible - feel undervalued
more absenteeism/staff turnover - leads to lowering of morale

Level 2
Candidate makes sound judgement(s) 4-5 marks

Level 1
Candidate makes basic judgement(s) 1-3 marks

Total 20 Marks

5(a)(i) What is a wholesaler?
(AO1 - Demonstrate = 2 marks)

buys in bulk from producer - sells in smaller quantities - stores products 2 marks

(ii) Explain the benefits to EPP of acting as a wholesaler.
(AO2 - Apply = 4, AO4 - Evaluate = 2 marks)

Valid points could include:
stocks products from a variety of producers - wide choice for customers - increase sales
divides stock up - cinemas do not have space for storage/cost
can deliver all goods together - lowers delivery/storage costs
ability to buy in bulk - cheaper

Level 2
Candidate makes judgements 5-6 marks

Level 1
Candidate applies knowledge 1-4 marks

(b)(i) Explain how the price and place parts of the marketing mix are used in business.
(AO1 - Demonstrate = 1, AO3 - Select/Analyse = 3)

Valid points could include:

price - matches product - has to be what the customer can/want to pay - value for money

place/location - has to be at the right place at the right time otherwise no sales

combine with other parts of the marketing mix to make a customer want to buy a product/service

Level 2

Candidate analyses

2-4 marks

Level 1

Candidate demonstrates basic knowledge

1 mark

(ii) Why does it do this?

(AO2 - Apply = 2, AO4 - Evaluate = 6)

Valid points could include:

20 m customers in the market - appeal to different segments

increasing products offered - spreads risks/increases sales

cater for different customer tastes - expand market share

all designed to increase sales/secure future/expand

Level 3

Candidate makes sound judgements

6-8 marks

The UK cinema market is over 20m and EPP want to increase their share of this market which they do by appealing to different age groups. Increasing the different products they sell will appeal to more people eg t-shirts, gift vouchers, monthly regular visitor cinema passes. Different people have different tastes and therefore need different things - retired people might prefer to go to the cinema through the day so EPP have special viewings and events for them. All of these strategies are designed to increase their market share, compete with other cinemas and expand.

Level 2

Candidate makes basic judgement(s)

3-5 marks

Level 1

Candidate applies knowledge

1-2 marks

Total 20 Marks

Quality of Written Communication = 5 Marks

QUALITY OF WRITTEN COMMUNICATION (QWC)

There are 5 marks available for quality of written communication. This will be assessed **throughout the question paper** where extended writing is required using the following criteria:

Level 3 Candidates write in sentences which are clear, structured and coherent. They spell, punctuate and use the rules of grammar with few errors using a range of specialist terms appropriately and with precision.

4-5 marks

Level 2 Candidates write in sentences with a clear and structured style. They spell, punctuate and use the rules of grammar with considerable accuracy.

2-3 marks

Level 1 Candidates write in sentences with a limited structure. They spell, punctuate and use the rules of grammar with reasonable accuracy.

1 mark

1503 02 Business Studies

1(a)(i) What is meant by economies of scale?
(AO1 - Demonstrate = 2)

advantage gained due to an increase in size 2 marks

(ii) How might each of the following economies of scale benefit EPP?
(AO3 - Select/Analyse = 6)

Valid points could include:

(purchasing/marketing) - bulk buying - lowers the unit price - saves costs

(managerial) - can employ more specialists - more efficient/experienced

(financial) - easier to raise capital - better lending terms/interest rates - for expansion

Level 2

Candidate makes sound analysis 4-6 marks

Level 1

Candidate makes basic analysis 1-3 marks

IF NOT ALL 3 MAX 4 MARKS

(b)(i) Explain what the communication problems might be.
(AO1 - Demonstrate = 1, AO2 - Apply = 6 marks)

Valid points could include:

language too difficult - cannot be understood

unsuitable method - too slow

employees do not have necessary skills - need training

no feedback received - no confirmation

tall hierarchy - too many people

physical barriers - poor phone line/reception

equipment breakdown

Level 2

Candidate applies sound knowledge 2-7 marks

Level 1

Candidate demonstrates basic knowledge 1 mark

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

(AO3 - Select/Analyse = 1, AO4 - Evaluation = 4)

Valid points could include:

staff could work less hard - less productive - less efficient - more mistakes
show less commitment - be unhappy in their jobs - inflexible - feel undervalued
more absenteeism/staff turnover - leads to lowering of morale

Level 2

Candidate makes sound judgement(s) 4-5 marks

Level 1

Candidate makes basic judgement(s) 1-3 marks

2(a)(i) What is a wholesaler?

(AO1 - Demonstrate = 2 marks)

buys in bulk from producer - sells in smaller quantities - stores products 2 marks

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

(AO2 - Apply = 4, AO4 - Evaluate = 2 marks)

Valid points could include:

stocks products from a variety of producers - wide choice for customers - increase sales
divides stock up - cinemas do not have space for storage/cost
can deliver all goods together - lowers delivery/storage costs
ability to buy in bulk - cheaper

Level 2

Candidate makes judgement(s) 5-6 marks

Level 1

Candidate applies knowledge 1-4 marks

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

(AO1 - Demonstrate = 1, AO3 - Select/Analyse = 3)

Valid points could include:

price - matches product - has to be what the customer can/want to pay - value for money
place/location - has to be at the right place at the right time otherwise no sales
combine with other parts of the marketing mix to make a customer want to buy a product/service

Level 2

Candidate analyses 2-4 marks

Level 1

Candidate demonstrates basic knowledge 1 mark

ii) Why does it do this?
(AO2 - Apply = 2, AO4 - Evaluate = 6)

Valid points could include:

20 m customers in the market - appeal to different segments
increasing products offered - spreads risks/increases sales
cater for different customer tastes - expand market share
all designed to increase sales/secure future/expand

Level 3

Candidate makes sound judgements

6-8 marks

The UK cinema market is over 20m and EPP want to increase their share of this market which they do by appealing to different age groups. Increasing the different products they sell will appeal to more people eg tshirts, gift vouchers, monthly regular visitor cinema passes. Different people have different tastes and therefore need different things - retired people might prefer to go to the cinema through the day so EPP have special viewings and events for them. All of these strategies are designed to increase their market share, compete with other cinemas and expand.

Level 2

Candidate makes basic judgement

3-5 marks

Level 1

Candidate applies knowledge

1-2 marks

3(a)(i) Give TWO examples of current assets.
(AO1 - Demonstrate = 2 marks)

stock/debtors/cash/bank

2 marks

(ii) State TWO uses of working capital.
(AO1 - Demonstrate = 2)

day to day running of the business - buying stocks/
paying overheads (e.g. salaries/electricity/rent)

2 marks

(iii) Describe TWO benefits to EPP of having retained profit.
(AO1 - Demonstrate = 2, AO3 - Select/Analyse = 2)

Valid points could include:

internal - no need to borrow/no interest
available for reinvestment/cash flow - flexible/immediate

Level 2

Candidate analyses benefits

3-4 marks

Level 1

Candidate demonstrates knowledge

1-2 marks

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

(AO2 - Apply = 2)

$$\frac{2,500,000}{10,384,000} = 24\% \quad (1)$$

Correct method = 1 mark

NB Accept with or without % sign but not £ sign - allow decimal points. 2 marks

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

(AO2 - Demonstrate = 2, AO3 - Select/Analyse = 2)

Valid points could include:

because measures profitability/efficiency with which firms generate profits from funds invested - shows whether owners are receiving a better return on their investment - the higher the better - if shareholders not happy with the return could sell shares - might affect share price - shows lack of confidence in business - indicates whether directors need to take action to improve the ratio

Level 2

Candidate analyses

3-4 marks

Level 1

Candidate demonstrates knowledge

1-2 marks

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

(AO3 - Select/Analyse = 2, AO4 - Evaluate = 4)

Valid points could include:

allows business to judge performance over time - informs future action
compare trends - because either %s or ratios - easier to compare
compare with competitors - judge success

Level 2

Candidate makes judgement(s)

3-6 marks

Level 1

Candidate analyses benefits

1-2 marks

4(a) How might EPP recruit new employees from the local area?
(AO2 Apply = 4)

local paper/radio - wide local circulation
job centre - specialist place for jobs

cinema - notices/notice board/leaflets - target prospective applicants
example + expansion
list = 2 marks

4 marks

(b) Explain why the directors of EPP prefer on-the-job training.
(AO1 - Demonstrate = 2, AO2 - Apply = 2, AO3 - Select/Analyse = 3)

Valid points could include:
employees watch/work with other experienced employee
trained in the way of EPP - uniformly/learn their systems/more efficient
working while training - more productive
not as expensive as off-the-job - saves money/cost effective

Level 3

Candidate analyses reasons for on-the-job

5-7 marks

On the job training involves employees watching and working with more experienced colleagues which means they are working whilst training so EPP's routines aren't affected and customers aren't inconvenienced. EPP can be sure employees are trained in the way it wants so all staff follow the same systems. It is cheaper than sending employees for off-the-job training which makes it more cost effective. It also means others don't have to cover for staff away training.

Level 2

Candidate applies knowledge

3-4 marks

Level 1

Candidate demonstrates basic knowledge

1-2 marks

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

(AO1 - Demonstrate = 4)

job enrichment
job enlargement
job rotation
empowerment
company car
share option
health care
training
days out/days off
free uniform
free transport
free movies
families benefit
flexibility

4 marks

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

(AO2 - Apply = 2, AO4 - Evaluate = 3)

Valid points could include:

(security) - so employees feel job is safe

(job enrichment) - more responsibility/challenges

(job enlargement) - increase scope of job - more work to do of a similar nature

(job rotation) - changing jobs/tasks

(empowerment) - delegation/self regulation

(money) - important but not always main motivator - motivational in short term but need more long-term - can be taken for granted and ceases to be a motivator therefore job enrichment etc may be more motivational in the long term because of the responsibility and variety in the job

Level 2

Candidate makes judgement(s)

3-5 marks

Level 1

Candidate applies knowledge

1-2 marks

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

(AO1 - Demonstrate = 3, AO2 - Apply = 3, AO4 - Evaluate = 2)

Valid points could include:

large amounts of capital can be raised through sale of shares to the public
suppliers likely to offer better credit facilities - seen as more secure - less likely to default
standing may be enhanced by SE listing - attracts investors

will help expansion because

easier to raise finance - can sell shares to shareholders - trade shares
able to fund extensions/refurbishments/new products/purchase of stock - more attractive
credit facilities represent a cost saving - no need to use internal capital

Level 3

Candidate makes judgement(s)

7-8 marks

A plc can sell shares to the public to raise large amounts of capital which can be used to fund any expansion plans the company has. Because a plc is seen as more secure and less likely not to pay invoices/loans, suppliers are more likely to give better credit facilities which will make the company able to perhaps charge more competitive prices which will lead to increased turnover. The bigger a plc the more likely it is it will dominate the market and continue to increase its market share.

Level 2

Candidate applies knowledge

4-6 marks

Level 1

Candidate demonstrates basic knowledge

1-3 marks

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

(AO1 - Demonstrate = 2, AO3 - Select/Analyse = 6, AO4 - Evaluate = 4)

Valid points could include:

(expansion) - whether increasing in size/number of employees/value of sales/amount of capital invested/number of shares issued

(culture) - number/turnover of employees/absenteeism rates/whether employees motivated/resistance to change/number of grievance/disciplinary procedures as a result of equal opportunities legislation

(customer satisfaction) - canvass views of customers/listen to views/make changes/ensure good quality service

if EPP achieves any or all of the above it can be said to be successful - to ensure survival it needs to be critical/self evaluating - in order to move forward EPP must have objectives to guide it - objectives must be seen as part of the strategic plan/policy of EPP

Level 4

Candidate makes judgement(s) based on analysis

9-12 marks

To judge whether EPP has achieved its objective of creating a culture and environment that eliminates discrimination it can monitor its staff turnover, absenteeism rates and the number of grievance complaints related to equal opportunities legislation. If staff are leaving or are always sick then there must be reasons for this - poor working conditions, no mutual respect, no feeling of belonging, distrust leading to stress. If EPP doesn't address these issues then work will not get done or not done properly and customers will be affected. Staff will become increasingly less motivated and unhappy at work - these will all affect the reputation of EPP as an employer and lead to a poor public image.

Has EPP increased the number of cinemas it has opened, or increased turnover or number of employees. These all indicate whether EPP has expanded. In the very competitive market of multi screen entertainment EPP has to ensure it remains ahead of the market through expansion giving it a strong place in the market otherwise it will start to fall back behind competitors and lose its dominance.

Customer questionnaires should indicate to EPP if and where customers are not happy. EPP prides itself on its customer service and it needs to be continually aware if facilities are not up to the high standard they are renowned for so changes can be made - perhaps further staff training, revised systems, new products.

If EPP achieves any or all of these objectives it can be said to be successful. It needs to ensure its survival and provide high returns to satisfy its shareholders. In order to move forward and continue expansion it needs to be continually monitoring to see whether it is achieving its targets/objectives which form part of its long-term intention tied into its overall corporate aims.

Level 3

Candidate makes sound analysis

6-8 marks

To judge whether EPP has achieved its objective of creating a culture and environment that eliminates discrimination it can monitor its staff turnover, absenteeism rates and the number of grievance complaints related to equal opportunities legislation. If staff are leaving or are always sick then there must be reasons for this - poor working conditions, no mutual respect, no feeling of belonging, distrust leading to stress. If EPP doesn't address these issues then work will not get done or not done properly and customers will be affected

Has EPP increased the number of cinemas it has opened, or increased turnover or number of employees. These all indicate whether EPP has expanded.

Customer questionnaires should indicate to EPP if and where customers are not happy. EPP prides itself on its customer service and it needs to be continually aware if facilities are not up to the high standard they are renowned for so changes can be made - perhaps further staff training, revised systems, new products.

Level 2

Candidate makes basic analysis

3-5 marks

Level 1

Candidate demonstrates basic knowledge

1-2 marks

Quality of Written Communication = 5 Marks

QUALITY OF WRITTEN COMMUNICATION (QWC)

There are 5 marks available for quality of written communication. This will be assessed **throughout the question paper** where extended writing is required using the following criteria:

- Level 3** Candidates write in sentences which are clear, structured and coherent. They spell, punctuate and use the rules of grammar with few errors using a range of specialist terms appropriately and with precision.
4-5 marks
- Level 2** Candidates write in sentences with a clear and structured style. They spell, punctuate and use the rules of grammar with considerable accuracy.
2-3 marks
- Level 1** Candidates write in sentences with a limited structure. They spell, punctuate and use the rules of grammar with reasonable accuracy.
1 mark

Further copies of this publication are available from
Edexcel Publications, Adamsway, Mansfield, Notts, NG18 4FN

Telephone 01623 467467
Fax 01623 450481

Email publications@linneydirect.com

Order Code UG 017745 Summer 2006

For more information on Edexcel qualifications, please visit www.edexcel.org.uk/qualifications
Alternatively, you can contact Customer Services at www.edexcel.org.uk/ask or on 0870 240 9800

Edexcel Limited. Registered in England and Wales no.4496750
Registered Office: One90 High Holborn, London, WC1V 7BH