

**GENERAL CERTIFICATE OF SECONDARY EDUCATION  
 BUSINESS STUDIES A (SHORT COURSE)**

**1051/01**

Paper 1 (Foundation Tier)

**TUESDAY 10 JUNE 2008**

Afternoon  
 Time: 1 hour 30 minutes

Candidates answer on the question paper  
**Additional materials (enclosed):** None

**Additional materials (required):**  
 Calculators may be used



Candidate Forename

Candidate Surname

Centre Number

Candidate Number

**INSTRUCTIONS TO CANDIDATES**

- Write your name in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use blue or black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- Do **not** write in the bar codes.
- Write your answer to each question in the space provided.

**INFORMATION FOR CANDIDATES**

- The number of marks for each question is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is **100**.
- The quality of written communication will be taken into account in marking your answers to questions labelled with an asterisk (\*).

FOR EXAMINER'S USE	
1	
2	
3	
4	
<b>TOTAL</b>	

This document consists of **13** printed pages, **2** lined pages and **1** blank page.

1 Ahmed set up Play Here as a sole trader five years ago when he left college. The business designs and makes playground equipment. Play Here has been very successful and this year it has become a public limited company (Play Here plc).

(a) (i) Explain the meaning of the word 'limited' in the term 'public limited company'.

.....  
.....  
..... [2]

(ii) Becoming a plc is one way to help a business to expand. Explain **one** other way a small business can grow.

.....  
.....  
..... [2]

(iii) A plc sells shares to the public. Explain **one** way in which a shareholder benefits from buying shares in a plc.

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..... [2]

(iv) Discuss why it is easier to set up a business as a sole trader rather than a public limited company. Give reasons for your answer.

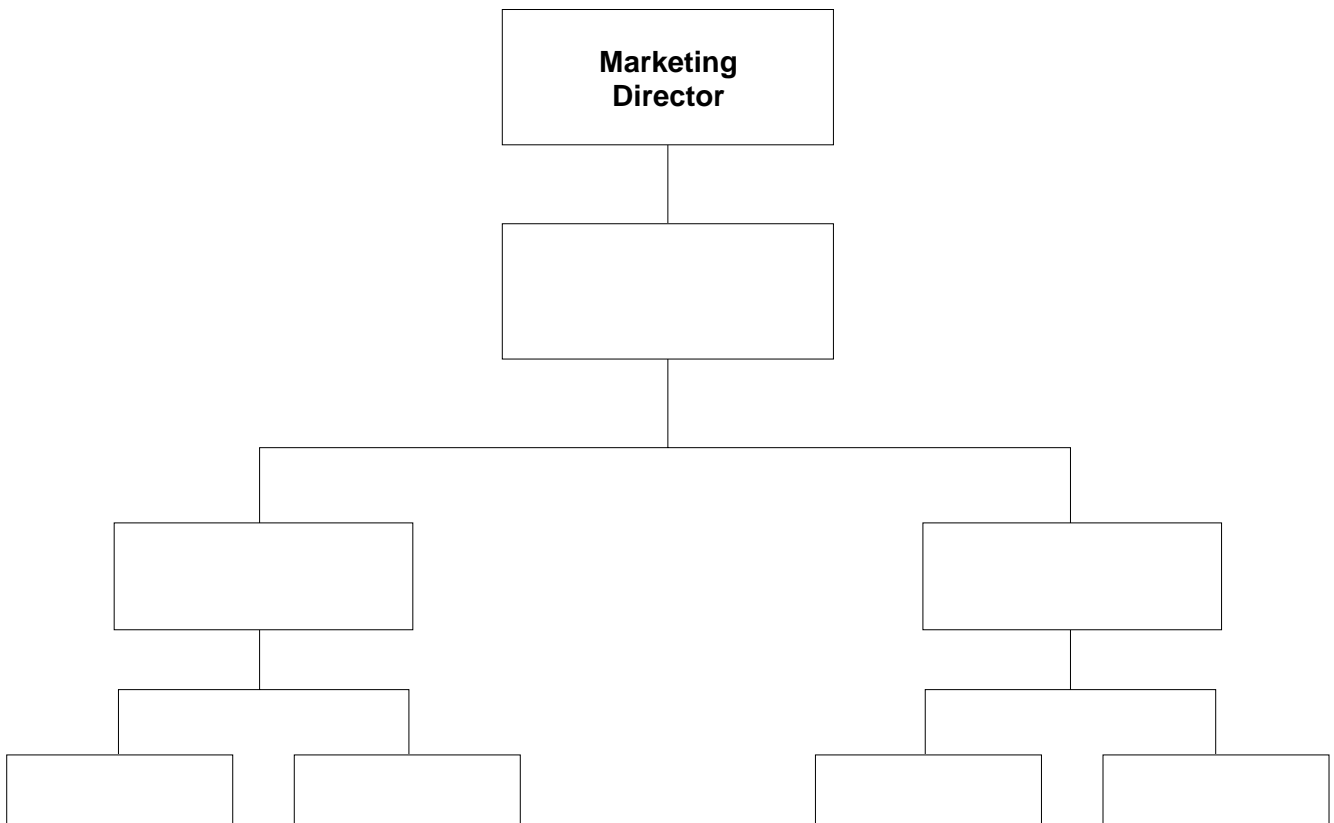
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..... [4]

(b) A plc has a Board of Directors. At Play Here plc, Ahmed is Managing Director, Louise is Marketing Director and Jack is Production Director.

(i) State **three** responsibilities Jack might have as Production Director of Play Here plc.

- 1 .....
- 2 .....
- 3 ..... [3]

(ii) Fig. 1 shows the Marketing Department of Play Here plc.



**Fig. 1**

The following people also work in the Department:

- i. Senior Marketing Manager
- ii. Playground Equipment Manager (Marketing Abroad)
- iii. Playground Equipment Manager (Marketing UK)
- iv. Salespersons (4)

Complete the diagram by placing the appropriate people in the correct boxes. [7]

(iii) Play Here plc uses delegation to motivate its employees.

Explain the meaning of 'delegation'.

.....  
.....  
..... [2]

(c) Louise and Jack have been arguing about the quantity of playground equipment which should be produced.

(i) Explain **two** reasons why Louise in the Marketing Department may disagree with Jack in the Production Department about the quantity to be produced.

1 .....  
.....  
.....  
2 .....  
.....  
..... [4]

(ii) Recommend the **best** method of communication to solve the disagreement between the two departments. Give reasons for your answer.

.....  
.....  
.....  
.....  
.....  
.....  
..... [4]

[Total: 30]

2 (a) Play Here plc markets and sells its high quality playground equipment in the UK and other countries in Europe. It has a website 'www.playhere.co.uk' and sells directly through the Internet.

(i) Identify **two** product features which are important when selling playground equipment.

1 .....

2 ..... [2]

(ii) Should Play Here plc **only** sell its playground equipment through the Internet?

Give reasons for your answer.

.....  
.....  
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.....  
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.....  
..... [4]

(iii) Suggest **two** segments of the market that Play Here plc might target.

1 .....

2 ..... [2]

(b) Expansion is an important objective for Play Here plc and Ahmed is hoping to sell the playground equipment in China next year.

(i) Discuss **one** reason why Play Here plc may have decided to sell its products in China rather than expand further in the UK market.

.....  
.....  
.....  
.....  
.....  
..... [4]



- (c) Fig. 2 shows the type of equipment sold by Play Here plc, the cost of each piece and the price at which each piece of playground equipment is sold.

Type of equipment	Cost per unit (£)	Price per unit (£)
Swing	500	1000
See-Saw	250	500
Slide	600	1200
Climbing Frame	750	1500

**Fig. 2**

- (i) Answer each of the following TRUE or FALSE.

Price is the amount of money the product is sold for: .....

Cost is the amount of money needed to produce the product: ..... [2]

- (ii) Using the information in Fig. 2, which of the following is the 'mark up' that Play Here plc charges its customers? Circle the correct answer.

50%                      100%                      150%                      [1]

- (iii) A large school in London wants to order three swings and three see-saws from Play Here plc.

Using the information in Fig. 2, calculate how much this will cost the school. Show your working.

.....  
 .....  
 ..... [2]

- (iv) Calculate how much profit Play Here plc will make from selling three swings and three see-saws to the school. Show your working.

.....  
 .....  
 .....  
 ..... [4]

[Total: 31]

3 (a) Play Here plc needs to buy another factory if the expansion into China is to take place. The factory will be fitted with the latest equipment and production will change from job production to batch production.

(i) Explain **one** advantage to Play Here plc of changing from job to batch production to make the playground equipment.

.....  
.....  
.....  
..... [3]

(ii) Play Here plc has many stakeholder groups including:

- employees
- customers
- shareholders

Which stakeholder group will be **most** affected by the change in the method of production? Give reasons for your answer.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [6]



(b) The capital cost of buying the factory and changing the production process will be £1m. Fig. 3 shows the sources of long term and short term finance which could be used by Play Here plc to finance the expansion.

(i) Tick **one** box to show a **long term** source of finance.

Type of finance	Tick (✓)
Trade credit	
Overdraft	
Sales of shares	

[1]

Fig. 3

(ii) The Board of Directors has decided to take a long term loan to finance the machinery for the new factory.

Explain **one** disadvantage to Play Here plc of using a long term loan.

.....

.....

..... [2]

(c) Every year Play Here plc must produce final accounts.

(i) In Fig. 4, tick **three** boxes to show which items are shown on a balance sheet.

ITEM	Tick (✓)
Gross profit	
Machinery	
Factory	
Wages	
Loan	
Electricity	

[3]

Fig. 4

(ii) Play Here plc expects its **net profit** to increase by 20% in the first year of trading in China. Some of this increase in net profit would come from an increase in sales revenue and some from reduced costs. The following are some ways in which costs could be reduced:

- economies of scale;
- improve production processes with new technology.

Which of the above might have the **most** effect on reducing costs of production at Play Here plc? Give reasons for your answer.

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..... [6]

[Total: 21]

4 (a) The Human Resources Manager is considering using either on-the-job or off-the-job training to retrain Play Here plc's employees.

(i) Which of these methods would be **most** suitable?

Give reasons for your answer.

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..... [4]

(ii) Training is a way of motivating the workforce. State **two** other ways of motivating a workforce.

1 .....

2 ..... [2]

(iii) Play Here plc wants to have a well motivated workforce.  
Explain **one** reason why it is important **to the workforce** at Play Here plc to be well motivated.

.....

.....

..... [2]

(b) Play Here plc wants to employ a new playground designer.

(i) Using the numbers 1-5, organise the stages in Fig. 5 below into the correct order for recruiting the new designer. The first one has been done for you.

Stage of recruitment	Numbers
Advertisement	
Interview	
Application	
Job description	1
Shortlist	

[4]

Fig. 5

(ii) Explain **one** advantage to Play Here plc of using an interview to select the new designer.

.....

.....

..... [2]

(iii) Play Here plc wishes to draw up both a job description and a person specification. The person specification will show the **qualities** of the person it wants to employ as the new playground designer. Tick **four** boxes in Fig. 6 below to show the **qualities** which would be needed in the person doing this job.

Qualities	Tick (✓)
Experience with children	
Hours of work	
Artistic experience	
Contact number	
Responsibilities	
Interest in modern technology	
Job details	
Good communication skills	

[4]

Fig. 6

[Total: 18]





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