

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

Case Study – Paper 3 (Foundation Tier)

**FRIDAY 23 MAY 2008**

Morning  
 Time: 1 hour

Candidates answer on the question paper

**Additional materials (enclosed):** Clean copy Case Study

**Additional materials (required):**

Calculators may be used



Candidate  
 Forename

Candidate  
 Surname

Centre  
 Number

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Candidate  
 Number

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**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.
- The spaces should be sufficient for your answers but if you require more space, use the lined pages at the end of the booklet and number your answers carefully.
- 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.
- The spaces should be sufficient for your answers but if you require more space, use the lined pages at the end of the booklet and number your answers carefully.
- Make sure that all your answers relate to the pre-released case study material.

**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 **60**.
- The quality of your written communication will be taken into account when marking your answers to questions labelled with an asterisk (\*).

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

This document consists of **10** printed pages and **2** lined pages.

Answer **all** questions.

**MAKE SURE THAT ALL YOUR ANSWERS RELATE TO THE PRE-RELEASED CASE STUDY MATERIAL.**

1 (a) Customers and workers are stakeholder groups in Link Spas plc. Why does each stakeholder group have an interest in the business?

Customers .....

Workers .....

[2]

(b) State and explain **two** advantages to Alan of changing Link Spas plc from a sole trader into a public limited company.

Advantage 1 .....

.....

.....

Advantage 2 .....

.....

.....[4]

(c) Answer the following TRUE or FALSE.

Link Spas plc is part of the tertiary sector .....[1]

**\*(d)** Link Spas plc's objectives have changed (see case study lines 6–9) and are now:

- to make a profit
- to expand
- to gain greater market share.

Why have Link Spas plc's objectives had to change over the last 20 years? Give reasons for your answer.

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[6+2]

QWC

[Total mark: 15]

2 (a) Use the case study and Resource Sheet 2. Answer the following questions.

(i) In the chain of command, to whom does the Assistant Manager (Health and Fitness) report?

.....[1]

(ii) What is the span of control of the Assistant Manager (Buildings and Maintenance)?

.....[1]

(b) Use Fig. 1 and the case study to answer the following questions.

(i) Identify **three** problems which Link Spas plc needs to solve urgently.

1. ....

2. ....

3. ....[3]

(ii) Select **one** of the problems identified in **b(i)** and explain why it is more urgent than the others.

Problem .....

Explanation .....

.....

.....

.....

.....[3]

(c) Which **two** of the following factors are a **disadvantage** to the residents of Skathely of Link Spas plc operating in the area? Tick the **two** appropriate boxes.

FACTORS	TICK (✓)
Increased employment	
Increased traffic	
Increased taxation	
Increased noise	

[2]

\*(d) Leonie and May have suggested the following ways to increase sales revenue.

ADVERTISING MEDIA	METHODS OF PROMOTION
Leaflets	Special offers for local residents
Newspapers	Article featuring a sports personality
Website	Virtual tours of facilities Seasonal events
Health and fitness magazines	Money off vouchers Off peak price reductions
Trade shows and exhibitions	Fitness stands Equipment Presentations

Which **one** of these methods of promotion is **most** likely to be successful in increasing sales revenue? Give reasons for your choice.

Choice .....

Reasons .....

.....

.....

.....

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.....

.....

[4+2]

QWC

[Total mark: 16]

- 3 (a) Use Resource Sheet 4 to answer the following question.  
Identify **one** example of a variable cost relating to the spa in Poland.

.....[1]

- (b) Use Resource Sheet 1 to answer the following questions.

- (i) Customers pay £600 for an individual annual subscription. The cost to Link Spas plc of each of these subscriptions is £75. Calculate how much profit is made on each annual subscription.

Show your working.

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

- (ii) Calculate the percentage increase in total revenue between year ended 31.8.06 and year ended 31.8.07. Show your working.

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

- (iii) Which **two** types of revenue should Link Spas plc concentrate on to increase overall annual revenue? Give reasons for your answer.

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

(c) Use the information in Resource Sheets 3 and 4 to help you to answer the following questions.

(i) Using Chart A, identify the segment of the market that would be **most** likely to want a personal trainer to visit their home.

.....[1]

(ii) May Wong thinks that Link Spas plc will have to charge £50 to make a profit from the personal trainers visiting people’s homes.

Using Chart E, how many customers said they would pay £50 per hour?

.....[1]

(iii) Using Resource Sheet 4, identify **one** fixed cost to Link Spas plc of employing personal trainers to visit people’s homes.

.....[1]

(d) Link Spas plc could use the following sources of finance to set up and run Option 1 – personal trainers to visit people’s homes – in the first year:

- overdraft
- sales of existing spa
- bank loan.

Using information in Resource Sheet 4 and the case study, advise the Board of Directors which method would be the most suitable for Link Spas plc to use to finance this option.

Choice .....

Reasons .....

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.....[5]

[Total mark: 18]

4 Use the information in the case study and the Resource Sheets to answer the following questions.

(a) The Board of Directors of Link Spas plc has to make a decision about which one of the following options to choose:

- employ personal trainers to visit people’s homes
- open a new spa in Poland.

(i) Explain **one** possible advantage and **one** possible disadvantage to Link Spas plc of employing personal trainers to visit people’s homes.

Advantage .....

.....

.....

Disadvantage .....

.....

.....[4]

(ii) Explain **one** possible advantage and **one** possible disadvantage to Link Spas plc of setting up a spa in Poland.

Advantage .....

.....

.....

Disadvantage .....

.....

.....[4]

(b) Which of the **two** options would you recommend to Link Spas plc?

Explain **one** reason for your choice.

Choice .....

Reasons .....

.....

.....

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.....[3]

[Total mark: 11]





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