

Candidate Name	Centre Number	Candidate Number



OXFORD CAMBRIDGE AND RSA EXAMINATIONS
General Certificate of Secondary Education

BUSINESS STUDIES A

1951/1

PAPER 1 (Common Core) FOUNDATION TIER

Friday

17 JUNE 2005

Morning

1 hour 45 minutes

Candidates answer on the question paper.
 No additional materials are required.

TIME 1 hour 45 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces at the top of this page.

Answer **all** questions.

Write your answers in the spaces provided on the question paper.

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.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question.

The total number of marks for this paper is 120.

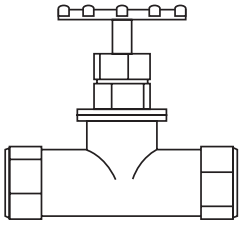
The quality of your written communication will be taken into account when marking your answers to questions marked with an asterisk (*).

FOR EXAMINER'S USE	
Question 1	
Question 2	
Question 3	
Question 4	
Question 5	
TOTAL	

This question paper consists of 18 printed pages and 2 lined pages.

1 Read the newspaper extract below and then answer the questions that follow.

Extract from the Mencaster Champion Newspaper

<p><i>Factory closes with 300 redundancies</i></p> <p>Valve maker, Hedley Engineering Ltd, will close its Mencaster factory today. Daniel Anselm, one of the workers made redundant, said it was bad news for him and for other businesses in the town of Mencaster.</p>	
	

(a) Is Hedley Engineering Ltd in the primary, secondary or tertiary sector?

..... [1]

(b) (i) Put a tick next to the statement which explains the meaning of the term **redundancy**.

Statement	Tick the appropriate statement
This is when a worker is dismissed for breaking the rules.	<input type="checkbox"/>
This is when a worker loses his or her job because there is no longer any work for him or her to do.	<input type="checkbox"/>

[1]

(ii) Daniel Anselm will receive redundancy pay. Use the information below to calculate how much he will receive. Show your working.

- His redundancy pay will be one week's pay for each year that he worked for the business.
- He was paid £500 per week.
- Daniel worked at Hedley Engineering Ltd for 20 years.

.....
 [2]

- (c) Table 1 shows the value of the assets owned and liabilities owed by Hedley Engineering Ltd when it closed.

Table 1 – Hedley Engineering Ltd – Assets and Liabilities

Value of assets	£15m
Value of liabilities	£20m

- (i) When Hedley Engineering Ltd closed, it sold all its assets to pay off its liabilities. Calculate the value of liabilities Hedley Engineering Ltd would **not** be able to pay off after selling its assets. Show your working.

.....
 [2]

- (ii) Pamela, Daniel’s manager, owned £2000 worth of shares in Hedley Engineering Ltd. She is concerned that she will have to sell off her private possessions to help pay for the liabilities not repaid.

Explain how Pamela, as a shareholder of Hedley Engineering Ltd, will be affected by its closure. Give reasons for your answer.

.....

 [4]

- (d) Hedley Engineering Ltd charged £200 for one type of valve that it sold. Some of these valves were sold in France. In 2003, £1 was worth €1.5. Table 2 shows the price in Euros of one valve to buyers in France.

Table 2 – Price of valves in 2003

Price of valves in £s	Price of valves in Euros
£200	$ \begin{array}{r} 200 \\ \times \\ 1.5 \\ \hline = \text{€}300 \end{array} $

- (i) In 2004, £1 was worth €2. Use Table 3 below to calculate the new price of one valve to buyers in France. Show your working.

Table 3 – Price of valves in 2004

Price of valves in £s	Price of valves in Euros
£200	$ \begin{array}{r} 200 \\ \times \\ \hline = \text{€} \end{array} $

[2]

- (ii) Hedley Engineering Ltd competed with valve producers in France. Explain how the rise in the value of the £ from £1 = €1.5 to £1 = €2 may have affected the number of valves that Hedley Engineering Ltd sold in France.

.....

 [2]

- (e) Explain why the closure of Hedley Engineering Ltd may be bad for **other businesses** in the town of Mencaster.

.....

 [4]

(f) Daniel has left Hedley Engineering Ltd. He is thinking about starting a business making and selling toys.

(i) Explain how this would help the **people** of Mencaster.

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..... [4]

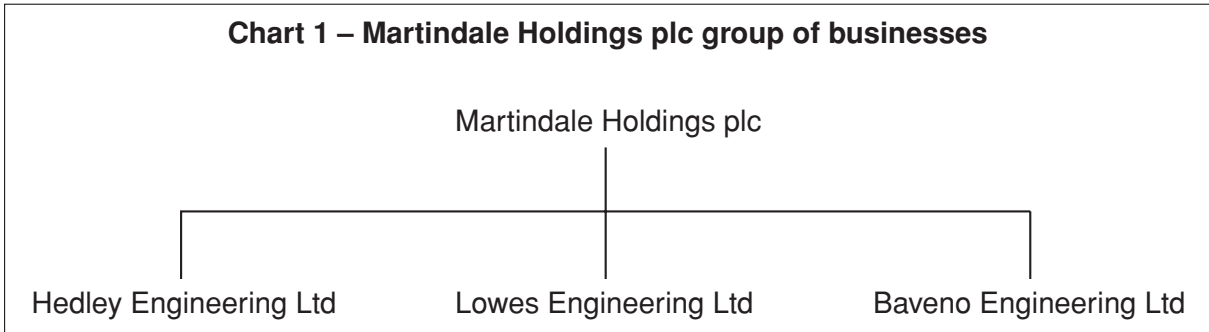
(ii) Daniel's friend, John, is an accountant. John would like to be a partner in the business.

Recommend whether Daniel should start the business as a sole trader or as a partnership. Give reasons for your answer.

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..... [6]

[Total : 28 marks]

- 2 (a) Hedley Engineering Ltd was part of a group of businesses. The chart below shows the businesses in the group.



(i) State the name of:

the parent company of Lowes Engineering Ltd

a subsidiary of Martindale Holdings plc [2]

(ii) Complete the following sentences.

Martindale Holdings plc is a limited company.

Lowes Engineering Ltd is a limited company. [2]

(iii) Use the phrases below to help to explain the meaning of the terms **dividend** and **shareholders**.

The owners of a business

Money paid to shareholders

The more profit the business makes, the more the shareholders receive

They take a risk by investing money into the business

Dividend

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.....

Shareholders

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..... [4]

- (b) After Hedley Engineering Ltd was closed, production of the valves was moved to Lowes Engineering Ltd in the town of Bowton. It had cost Hedley Engineering Ltd £150 to produce each valve. Table 4 below shows the costs of producing the valves.

Table 4 – Cost of producing valves

Business	Number of valves per year	Total cost of producing valves	Cost per valve
Hedley Engineering Ltd	100,000	£15,000,000	$\frac{15,000,000}{100,000}$ = £150
Lowes Engineering Ltd	200,000	£20,000,000	

- (i) Using the information in Table 4, explain why it is better for the production of valves to take place at Lowes Engineering Ltd rather than Hedley Engineering Ltd.

.....

 [2]

- (ii) Table 5 shows a list of ways that businesses may reduce costs. Large businesses, such as Lowes Engineering Ltd, may reduce costs because they have economies of large scale production.

Place a tick next to the **three** statements that describe economies of large scale production.

Table 5 – Ways that businesses may reduce costs

Reason	Tick the three economies of scale
The firm could buy supplies of raw material in bulk and so get a discount.	
The firm could pay each of its workers less money.	
The firm could use computerised machinery instead of workers.	
The firm could import cheaper raw materials from abroad.	
The firm could rent a cheaper factory.	
The firm could cut transport costs by transporting more goods at a time.	

[3]

(iii) Explain **two advantages** to Lowes Engineering Ltd of using computerised machinery, rather than workers, to produce valves.

Advantage 1

.....

.....

Advantage 2

.....

..... [4]

(iv) Explain **one disadvantage** to Lowes Engineering Ltd of using computerised machinery, rather than workers, to produce valves.

.....

.....

..... [2]

[Total : 19 marks]

- 3 *(a) Lowes Engineering Ltd needs to recruit 10 extra office workers. It has decided to recruit them locally in the town of Bowton.

Explain how useful a person specification and a job description would be to Lowes Engineering Ltd in the recruitment of its office workers.

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Recommend how Lowes Engineering Ltd should advertise for the office workers. Give reasons for your recommendations.

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Recommend how Lowes Engineering Ltd should choose the 10 office workers if 50 people apply for the jobs. Give reasons for your recommendations.

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[12+2]

QWC

(b) The office workers will need some training when they start work. Table 6 gives three training methods.

Table 6 – Training methods

- | |
|--|
| <ul style="list-style-type: none"> • Demonstrations • Team-building exercises • Role play |
|--|

For each training need stated below, recommend, from Table 6, the best training method to use. Give reasons for your recommendations.

Training Need: How to use the photocopying machine.

Training method recommended

Reasons

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.....

Training Need: How to deal with difficult customers on the telephone.

Training method recommended

Reasons

.....

.....

Training Need: To help the office workers to work together as a group.

Training method recommended

Reasons

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..... [9]

(c) The office workers at Lowes Engineering Ltd are members of a trade union. State **four** benefits to workers of belonging to a trade union.

1

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2

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3

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4

..... [4]

[Total : 27 marks]

- 4 (a) Table 7 is a summary of the financial position of Lowes Engineering Ltd in the last two years of trading.

Table 7 – Lowes Engineering Ltd – Summary of performance, 2003 and 2004

ITEMS	2003	2004
Sales income	£25m	£32m
Cost of goods sold	£10m	£14m
Gross profit	£15m	
Expenses and interest payments		£12m
Net profit	£5m	£6m

- (i) Calculate the value of expenses and interest payments in 2003. Show your working.

.....
 [2]

- (ii) Calculate the gross profit made in 2004. Show your working.

.....
 [2]

- (iii) Using the information in Table 7, explain why the shareholders of Lowes Engineering Ltd would be pleased with the performance of the company in 2004 compared with 2003.

.....

 [2]

(b) In Table 8:

- Column 1 lists changes that affected Lowes Engineering Ltd between 2003 and 2004.
- Column 2 shows the areas of the business affected by these changes.

Draw a line from each change in Column 1 to match the area of the business it would affect in Column 2.

Table 8 – Changes and areas affected

Column 1 <i>Changes affecting the business in 2003 to 2004.</i>	Column 2 <i>Area of the business affected by the change.</i>
A rise in the interest rate.	The cost of making the valves.
Two other valve makers go out of business.	The expenses and interest payments.
The cost of raw materials falls.	Sales income.

[3]

- (c) Lowes Engineering Ltd planned to increase its production of valves at the end of 2004. Table 9 contains the list of methods of finance that Lowes Engineering Ltd considered using.

Table 9 – Methods of finance

Method of finance	Time period
Overdraft Trade credit	Short term
Hire purchase Bank loan	Medium term
Shares	Long term

From Table 9, recommend **one** method of finance that Lowes Engineering Ltd could have used for each of the following situations. Give reasons for your recommendation.

To finance the expansion of the factory at a cost of £2m.

Method of finance

Reason for recommendation

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To finance a cash flow problem (during the three months that production would stop) whilst the factory was expanded.

Method of finance

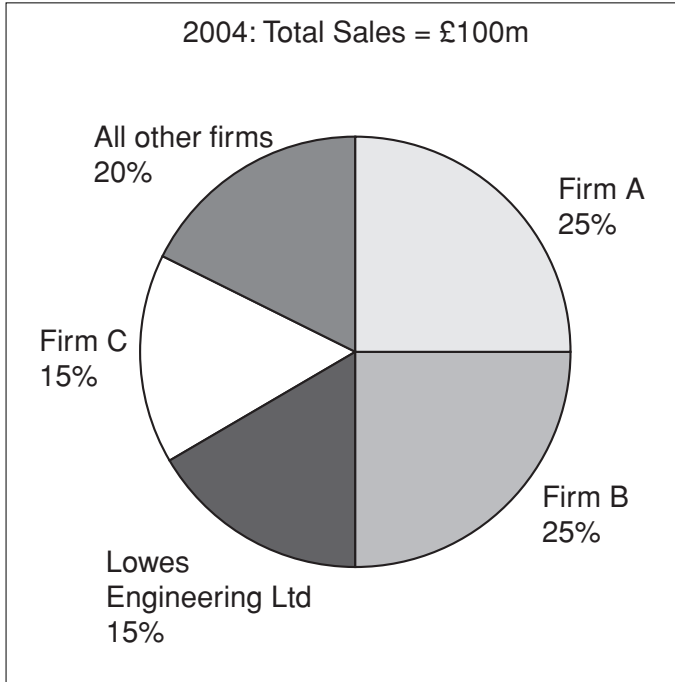
Reason for recommendation

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..... [6]

[Total : 15 marks]

5 (a) Chart 2 below shows the sales of the UK market for valves in 2004.

Chart 2 – UK market for valves – 2004



Calculate the value of valves sold in the UK by Lowes Engineering Ltd in 2004. Show your working.

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..... [2]

(b) Lowes Engineering Ltd is considering carrying out market research to help improve its sales. It could use field and desk research.

(i) Explain what is meant by field research.

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..... [2]

(ii) Explain what is meant by desk research.

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..... [2]

(iii) Recommend one type of desk research **or** one type of field research that Lowes Engineering Ltd should use in each of the following situations.

Situation One – To find out what types of valves are needed by each of its customers.

Type of market research

Reason for choice

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Situation Two – To find out the prices charged for valves by its competitors.

Type of market research

Reason for choice

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..... [6]

(iv) Explain why Lowes Engineering Ltd would want to know the prices charged for valves by its competitors.

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..... [2]

(c) (i) Explain **one** advantage to a business of advertising on television.

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..... [2]

(ii) Lowes Engineering Ltd sells valves to 12 different firms. Explain **one** disadvantage to Lowes Engineering Ltd of advertising its valves on television.

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..... [2]

*(iii) Recommend **one** advertising media, other than television, that Lowes Engineering Ltd should use. Give reasons for your answer.

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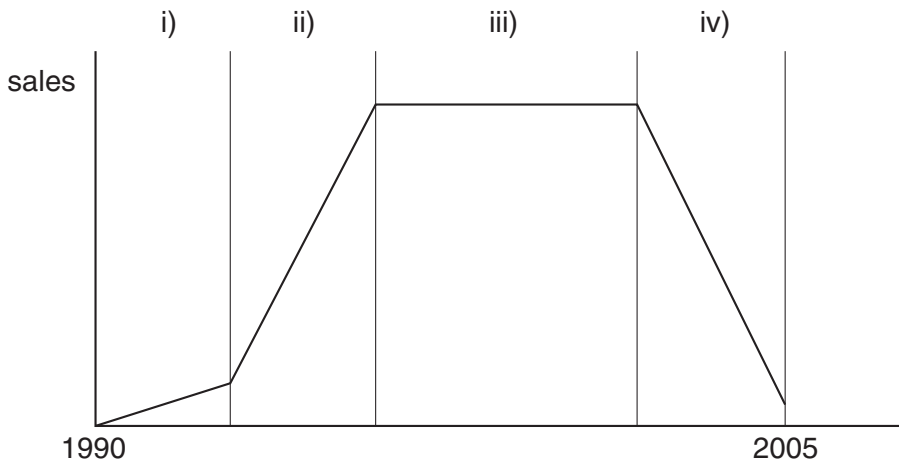
..... [5+2]

QWC

- (d) (i) Chart 3 shows the product life cycle of one of the valves that Lowes Engineering Ltd produces. Use the terms below to label each stage of the diagram.

Decline
Maturity
Introduction
Growth

Chart 3 – Sales by Lowes Engineering Ltd of one type of valve



- i)
- ii)
- iii)
- iv) [4]

- (ii) Using the information in Chart 3, should Lowes Engineering Ltd reduce the price of this valve to try to improve its sales? Give a reason for your answer.

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..... [2]

[Total : 31 marks]

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