

Candidate Name	Centre Number	Candidate Number



OXFORD CAMBRIDGE AND RSA EXAMINATIONS
General Certificate of Secondary Education

BUSINESS STUDIES A

1951/3

OPTION: BUSINESS AND CHANGE

PAPER 3 FOUNDATION TIER

Tuesday

21 JUNE 2005

Afternoon

1 hour

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

TIME 1 hour

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 60.

The quality of your written communication will be taken into account when marking your answer to the question labelled with an asterisk (*).

FOR EXAMINER'S USE	
Question 1	
Question 2	
TOTAL	

This question paper consists of 10 printed pages and 2 lined pages.

An image of a computer has been removed due to third party copyright restrictions

- 1 (a) O'Keefe Ltd makes and sells computers.
- (i) From the list below, tick two boxes which are features of a private limited company.

Feature	✓
Shares can be sold to family and friends	
Income tax must be paid on profit	
The owners have limited liability	
A deed of partnership is drawn up between the owners	
Financial information is private	

[2]

- (ii) 'To survive' is one objective of O'Keefe Ltd. State one other likely objective of O'Keefe Ltd. Explain why it is important for the business to meet this objective.

Objective _____

Explanation _____

_____ [3]

- (b) Fig. 1 shows the internal organisation structure of O'Keefe Ltd.

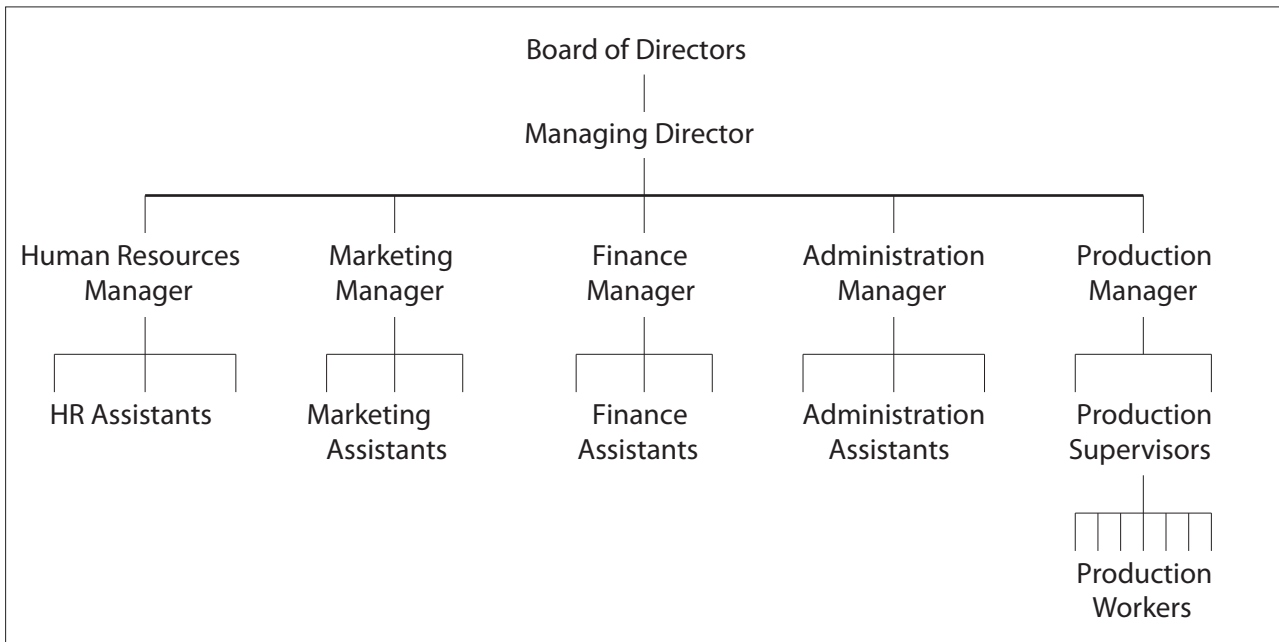


Fig. 1

(i) Describe the main features of the organisation structure of O'Keefe Ltd.

[4]

The chain of command describes the link in levels of authority from the Board of Directors to the production workers.

(ii) Using Fig. 1, state the number of layers in the chain of command from the Board of Directors to the production workers.

[1]

- (c) O'Keefe Ltd sells computers in the UK and USA. The Finance Manager has produced a cash flow forecast to see how money would flow into and out of the business during the first three months of next year.

O'Keefe Ltd cash flow forecast for January, February and March 2006

	Jan £	Feb £	March £
Income			
UK Sales	150,000	150,000	150,000
USA Sales	100,000	100,000	100,000
Total Income	250,000	250,000	a
Expenditure			
Materials	100,000	100,000	100,000
Wages	90,000	85,000	85,000
Transport	10,000	10,000	10,000
Marketing	10,000	5,000	5,000
Total Expenditure	210,000	200,000	200,000
Net Cash Flow	40,000	50,000	50,000
Opening Balance	-190,000	-150,000	-100,000
Closing Balance	-150,000	-100,000	-50,000

- (i) Calculate the missing figure in **box a**. Show your working.

_____ [2]

- (ii) Identify **one** problem shown by the **closing balance for each month** on the cash flow forecast.

_____ [1]

- (iii) State and explain **one** action O'Keefe Ltd might take to solve this problem.

_____ [2]

- (d) Table 1 below shows the forecast costs for April 2005 and how much the business actually spent on these costs.

	Forecast £	Actual £	Difference £
Materials	100,000	140,000	+40,000
Wages	90,000	120,000	+30,000
Transport	10,000	18,000	+8,000

Table 1

Using Table 1, do you think the Finance Manager is good at forecasting costs? Give reasons for your answer.

[3]

- (e) (i) The price of each computer O'Keefe Ltd sells in the USA is \$1200. If the exchange rate is £1 = \$1.50, calculate how much, in £ sterling, O'Keefe Ltd will receive for each computer. Show your working.

[2]

- (ii) Explain whether it is an advantage or disadvantage to O'Keefe Ltd to sell its computers in the USA as well as the UK.

[5]

(f) Read the following headlines from national newspapers and answer the question that follows.

Headline 1

**President of the USA orders
American firms to only trade
with American businesses!**

Headline 2

**Computer prices fall by 2%
compared to last year!**

Explain which of the above headlines is likely to have the greatest effect on the sales of O'Keefe Ltd. You should make reference to **both** headlines in your answer.

[6]

[Total : 31 Marks]

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restrictions**

An image of a pair of
sunglasses

2 Selleck's Shades sells designer sunglasses. This successful business is run as a partnership, owned by Richard and Robert Selleck.

(a) (i) State one way of measuring the success of a business.

_____ [1]

(ii) By selecting the correct word from the list below, complete the sentence that follows.

- Market
- Mixed
- Planned

Selleck's Shades operates in an economy where some businesses are owned by private individuals and some business activity is run by the government. This is known as a economy. [1]

(iii) Explain one advantage and one disadvantage to Richard and Robert of running Selleck's Shades as a partnership.

Advantage _____

Disadvantage _____

_____ [4]

- (b) (i) Richard and Robert want to expand the business by opening another shop in the local area. State and explain **two** factors they need to consider before deciding where to locate their new shop.

Factor 1 _____

Factor 2 _____

_____ [4]

- (ii) State and explain **two** social benefits to the local community of Richard and Robert opening a new shop.

Social benefit 1 _____

Social benefit 2 _____

_____ [4]

(c) Selleck's Shades' main high street rival, Funky Frames, has approached Richard and Robert about a possible merger between the two businesses.

(i) By selecting the correct word from the list below, complete the sentence to describe the type of merger Funky Frames is suggesting.

- **Conglomerate**
- **Horizontal**
- **Vertical**

Selleck's Shades and Funky Frames merging is an example of a merger. [1]

(ii) Below is a list of some of the possible benefits and problems to Selleck's Shades of a merger with Funky Frames.

- **Able to sell more sunglasses**
- **Less control over the business**
- **Able to sell sunglasses more cheaply**
- **Staff redundancies**

Use the above information to advise Richard and Robert on whether Selleck's Shades should merge with Funky Frames. Give reasons for your answer.

[6]

(d) Richard and Robert are deciding whether they should start selling other products, such as watches, in their shops as well as sunglasses. To help them make a decision, their Finance Manager provided them with the information shown in Fig. 2 and Fig. 3 below.

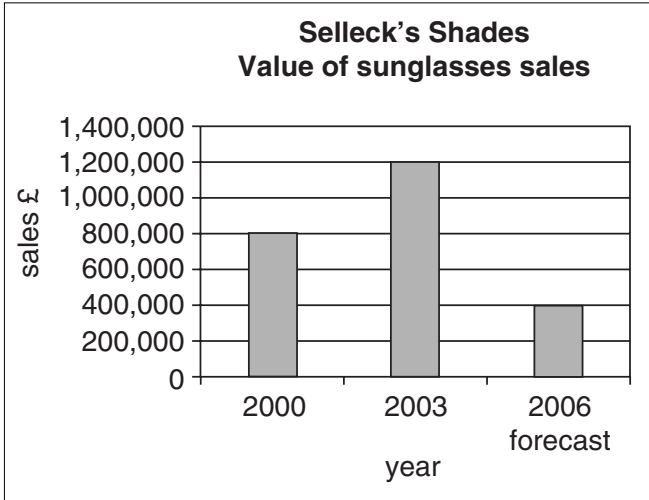


Fig. 2

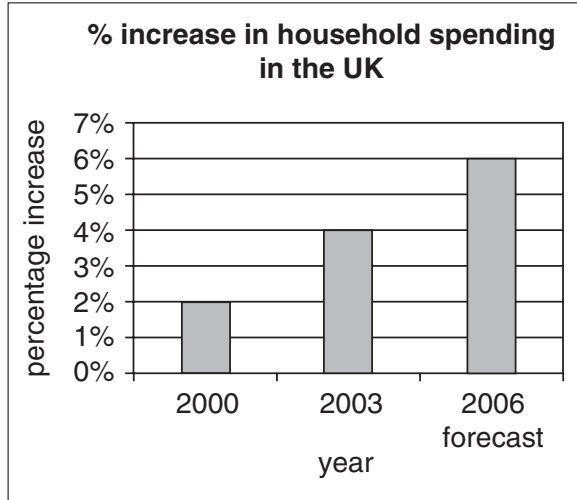


Fig. 3

Using the data shown in Fig. 2 **and** Fig. 3, advise Richard and Robert as to whether Selleck's Shades should start selling other products, such as watches, as well as sunglasses. Give reasons for your answer.

[6+2]

[Total : 29 Marks]

QWC

