

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 **20 JUNE 2006** 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 answers to questions labelled with an asterisk (*).
 You may use an approved calculator.

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 fish
has been removed
due to third party
copyright restrictions**

1 Healthy Salmon plc is a public limited company which breeds salmon to sell to supermarkets.

(a) (i) Explain whether you think Healthy Salmon plc is a good name for the company.

[2]

(ii) Choosing from the list below, tick two boxes to correctly identify two features of a public limited company.

Features	Tick two boxes
A company which has the letters plc after its name.	
A company which has only one owner.	
A company which splits its profits between each partner.	
A company which has the letters Ltd after its name.	
A company whose shares are sold on the stock exchange.	

[2]

(iii) Explain which of the following factors would better indicate the success of Healthy Salmon plc. You should make reference to both factors in your answer.

- Number of customers
- Size of buildings

Choice _____

Reason _____

[4]

(b) Healthy Salmon plc is in the primary sector, which includes farming and fishing. Fig. 1 below shows the change in the level of employment in the primary sector between 1971 and 2003.

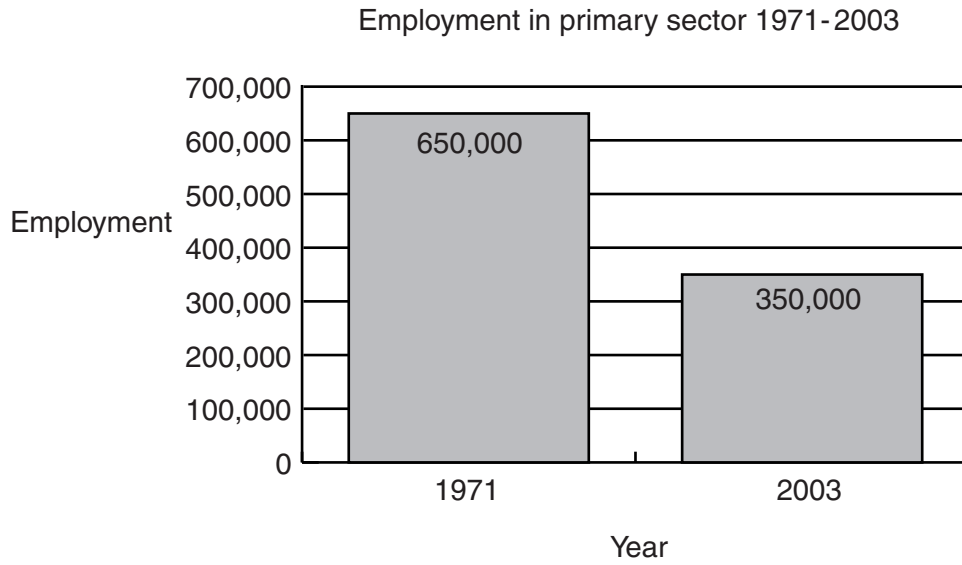


Fig. 1

Analyse the data shown in Fig. 1 and explain which of the factors below may have had the **most impact** on primary sector employment between 1971 and 2003. You should make reference to **both** factors in your answer.

- **Competition from abroad**
- **Technology**

[4]

(c) The UK government is keen to promote trade between the UK and other countries.

(i) Draw **two lines** to correctly match the terms **export** and **import** with their meaning.

	UK CUSTOMERS BUY FROM GERMAN COMPANIES.
EXPORT	UK BUSINESSES SELL TO UK CUSTOMERS.
IMPORT	GERMAN BUSINESSES SELL TO GERMAN CUSTOMERS.
	GERMAN CUSTOMERS BUY FROM UK COMPANIES.

[2]

(ii) State and explain **one** possible reason why Healthy Salmon plc sells some of its salmon to German supermarkets.

[3]

(d) The currency used in the UK is pounds. Many other countries in the European Union use euros.

(i) Name **two** countries that have the euro as their currency.

1 _____

2 _____ [2]

Fig.2 shows the change in the number of euros needed to buy one pound between 2003 and 2006.

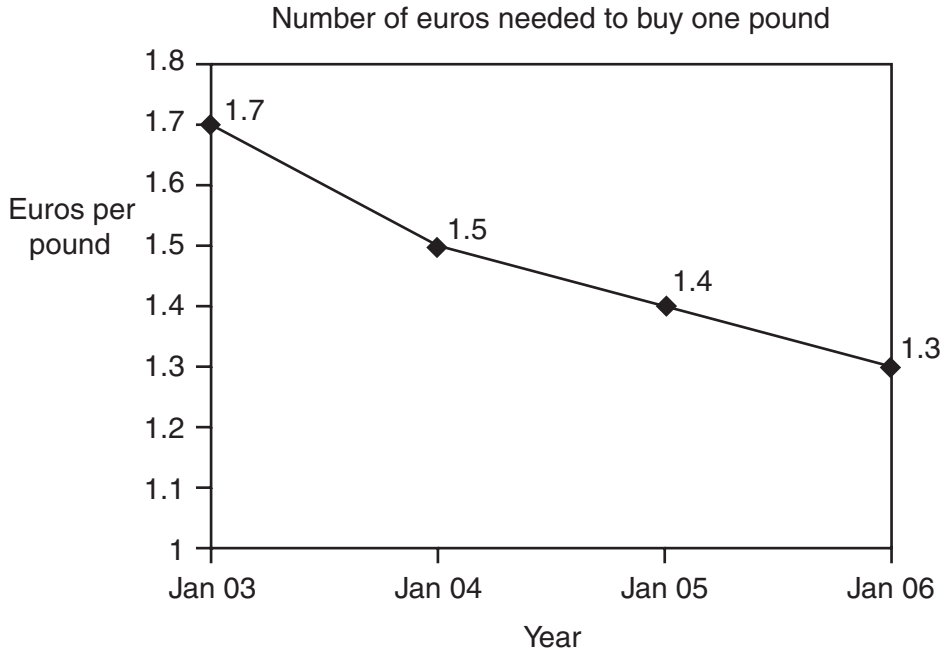


Fig.2

(ii) State how many euros were needed to buy one pound in January 2005.

_____ [1]

(iii) Fig.2 shows that fewer euros were needed to buy one pound in January 2006 than in January 2003. This means that some supermarkets in Europe found it cheaper to buy goods, such as salmon, from the UK. Explain how the increase in the value of the euro may have affected Healthy Salmon plc.

_____ [3]

*(e) The Managing Director of Healthy Salmon plc has decided to breed and sell cod, as well as salmon. To do this, the Managing Director is considering relocating the business from Scotland to Ireland. Table 1 shows some of the factors he would have to consider.

FACTOR	SCOTLAND	IRELAND
Cost of land and premises	High	Low
Consumer spending	Low	High
Government grant	Yes	No
Minimum hourly wage for over 21s	£5.25	£5.50

Table 1

Using Table 1, and any other information, advise the Managing Director whether Healthy Salmon plc should relocate to Ireland or stay in Scotland. You should refer to the advantages and disadvantages of both locations in your answer.

[6+2]

[Total : 31 Marks]

QWC

2 Kaye Taxis Ltd is a medium sized business based in a city centre. It owns 150 taxis, which it rents to taxi drivers.



(a) (i) Explain how Kaye Taxis Ltd may help the people who live locally.

[2]

(ii) The shareholders who own Kaye Taxis Ltd have limited liability. Explain why this is an advantage to shareholders.

[3]

(b) Kaye Taxis Ltd needs to buy an extra 10 taxis costing in total £350 000. It could raise the finance needed to buy the taxis using the following methods.

- Borrowing from a bank
- Issuing shares to family and friends

Recommend which of the above methods Kaye Taxis Ltd should use. Justify your answer by explaining why you did not recommend the other method.

[4]

(c) One of Kaye Taxis Ltd's objectives is to increase profitability. The following ways of increasing profit have been suggested. Advise the Managing Director which one of them she should choose. In your answer you should explain why the other suggestion was not chosen.

Increase prices

Increase advertising

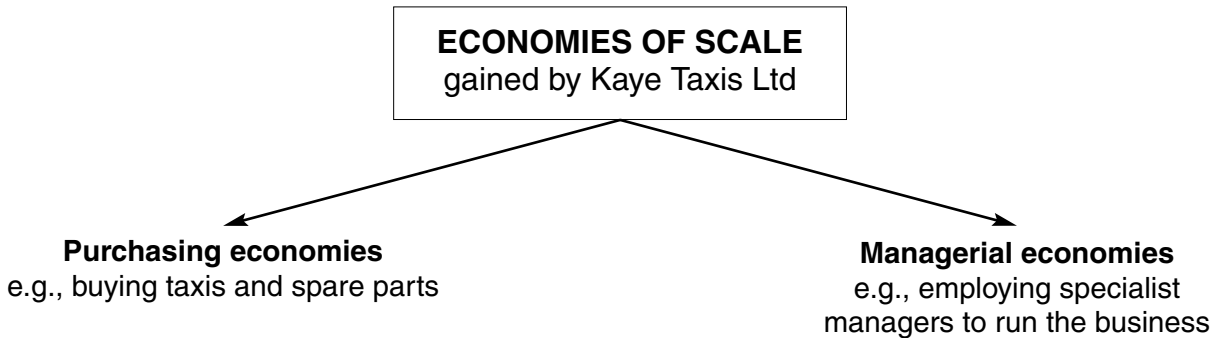
Suggestion _____

Reasons _____

_____ [4]

(d) At present, 150 taxi drivers rent taxis from Kaye Taxis Ltd. This has grown from 25 drivers in 2000.

This growth has led the business to gain from economies of scale. These economies of scale are shown below.



Explain how each of the above economies of scale may affect Kaye Taxis Ltd.

Purchasing economies _____

Managerial economies _____

_____ [4]

(e) Table 2 gives some financial information about Kaye Taxis Ltd in 2004 and 2005.

	YEAR 2004 £	YEAR 2005 £
Sales Income	3 000 000	3 000 000
Net Profit	300 000	150 000
Current Liabilities	250 000	200 000
Current Assets	500 000	200 000

Table 2

(i) Using some of the figures in Table 2, complete Table 3.

Net Profit to Sales ratio and Current ratio for Kaye Taxis Ltd

	RATIO	2004	2005
Net Profit to Sales	$\frac{\text{Net Profit}}{\text{Sales}} \times 100$	$\frac{£300\,000}{£3\,000\,000} \times 100$ = 10%	$\frac{\text{Net Profit}}{\text{Sales}} \times 100$ =
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{£500\,000}{£250\,000} = 2 : 1$	$\frac{\text{Current Assets}}{\text{Current Liabilities}} =$

[2]

Table 3

(ii) Indicate, with a tick, if each event below was likely or unlikely to have caused a **decrease** in Kaye Taxis Ltd's net profit.

EVENT	LIKELY CAUSE	UNLIKELY CAUSE
Kaye Taxis Ltd has rented more taxis to drivers.		
Increased number of other taxi companies.		
Costs have increased.		

[3]

(iii) Explain which of the above events is likely to have had the **most** effect on the net profit of Kaye Taxis Ltd.

_____ [2]

