

**GENERAL CERTIFICATE OF SECONDARY EDUCATION
 BUSINESS STUDIES A**

1951/01

Paper 1 Common Core (Foundation Tier)

TUESDAY 10 JUNE 2008

Afternoon
 Time: 1 hour 45 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.
- 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 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 **120**.
- 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	
5	
TOTAL	

This document consists of **18** printed pages and **2** lined pages.

- 1 (a) Airight Ltd is based in Bowton in the County of Moorshire. Airight Ltd manufactures and fits air conditioning systems for private and public sector organisations. Fig. 1 shows some of its customers.

Fig. 1 – Examples of Airight Ltd customers

The Corner Shop Ltd Bowton NHS Hospital Bowton Athletic Football Club plc Bowton Building Society Royal Oak Hotel Ltd Mencaster Borough Council Mencaster Sixth Form College
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- (i) Identify **one** private sector and **one** public sector organisation from Fig. 1.

Private sector organisation

Public sector organisation [2]

- (ii) State **two** features of private sector organisations.

1

.....

2

..... [2]

- (iii) State **two** features of public sector organisations.

1

.....

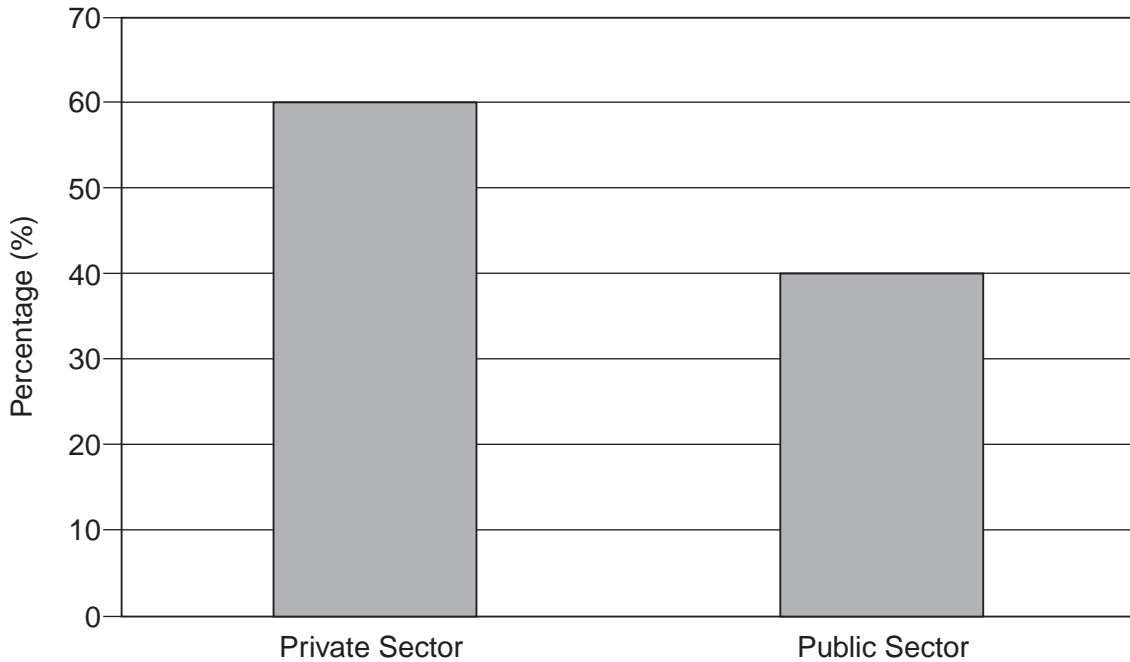
2

..... [2]

(b) Fig.2 shows the percentages of sales of Airight Ltd made to private and public sector organisations in 2007.

Fig. 2 – Sales of Airight Ltd

2007 – Total Sales = £2m



(i) Using Fig. 2, state whether Airight Ltd made a bigger percentage of sales to the public sector or the private sector in 2007.

.....
 [1]

(ii) Using Fig. 2, calculate the **value** of the goods sold by Airight Ltd to the **public sector** in 2007. Show your working.

.....
 [2]

*(c) Fig. 3 shows a list of possible methods of promotion that Airight Ltd might use.

Fig. 3 – Some possible methods of promotion

Having a stand at a building trade show.
Advertising in local retail trade magazines.
Advertising in the national press.
Advertising on television.
Having a web-site.

Airight Ltd fits air conditioning systems in local shops in the county of Moorshire. It wants to increase this part of its business. Recommend **two** methods of promotion from Fig. 3 that Airight Ltd should use. Give reasons for your recommendations.

Method 1

Reasons

.....
.....
.....
.....

Method 2

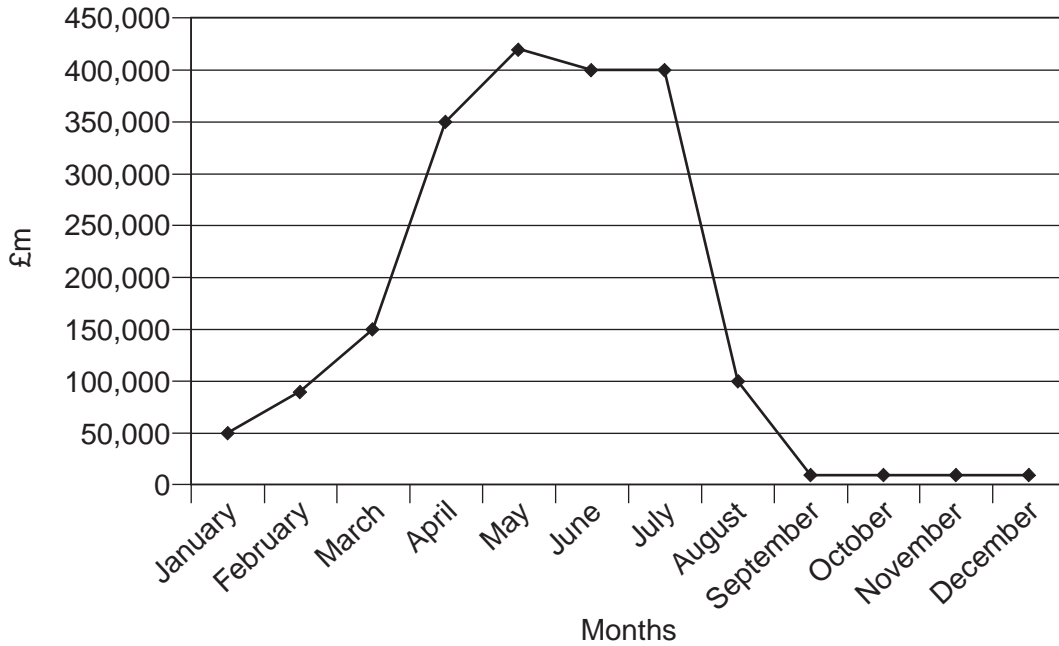
Reasons

.....
.....
.....
.....

[6 + 2]

(d) Fig. 4 shows the pattern of sales that Airight Ltd achieved during 2007.

Fig. 4 – Airight Ltd – Sales of Air Conditioning Units – 2007



(i) In which month are sales at their highest?

..... [1]

(ii) Explain why the pattern of sales for air conditioning units is as shown in Fig. 4.

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

(iii) Explain whether or not the pattern of sales of air conditioning systems may cause cash flow problems for Airight Ltd.

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

[Total: 23 marks]

2 (a) Airright Ltd makes the pipes it uses in its air conditioning systems. It makes two types of pipes.

- Circular pipes are used in large quantities and so are made continuously.
- Square pipes are not used very much. Different sizes are made to order for each customer.

Recommend the method of production, job, batch or flow, that Airright Ltd should use for each type of pipe. Give reasons for your recommendations.

Circular pipes – recommended method of production

Reasons

.....

.....

.....

Square pipes – recommended method of production

Reasons

.....

.....

..... [6]

(b) Airright Ltd is considering introducing new technology so that the pipes can be made using computer-controlled machines. State and explain **two** advantages and **two** disadvantages to Airright Ltd that may result from introducing new technology.

Advantage 1
.....
.....

Advantage 2
.....
.....

Disadvantage 1
.....
.....

Disadvantage 2
.....
..... [8]

*(c) Airright Ltd buys the motors for its air conditioning systems from a firm in China. Explain **one** possible advantage and **one** possible disadvantage to Airright Ltd of doing this.

Advantage
.....
.....
.....

Disadvantage
.....
.....
..... [4 + 2]

[Total: 20 marks]

3 (a) Airight was started as a partnership in 1996 by Nazeem Khan and Andrea Goldman. They wrote a business plan to give to their bank manager when they applied for a bank loan. As part of the business plan they stated their previous jobs, which were:

- Nazeem – worked for five years as an engineer.
- Andrea – was a marketing manager for a firm, based in Bowton, which sold air conditioning systems.

(i) Explain why the information about their previous jobs would help Nazeem and Andrea to get a bank loan.

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

(ii) The bank manager wanted other information on the business plan to help him to decide if Nazeem and Andrea’s business would be successful. For each statement below, explain why this information would help the bank manager.

The number of firms that manufacture and fit air conditioning units in the county of Moorshire.

Explanation

.....
.....
.....

The prices that are charged by competitors for air conditioning units in the county of Moorshire.

Explanation

.....
.....
.....

The number of firms, other than air conditioning firms, that exist in the county of Moorshire.

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

(b) Fig. 5 shows some of the different sources of finance, other than bank loans, that businesses can use.

Fig. 5 – Sources of business finance

Trade credit Sale of assets Mortgage
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When Nazeem and Andrea started the business they needed to buy a factory and materials. From Fig. 5, recommend **one** source of finance that would be appropriate for **each** of these needs.

Buying a factory

Recommended source of finance

Reasons for choice

.....
.....

Buying materials

Recommended source of finance

Reasons for choice

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

(c) When Nazeem and Andrea decided to change the partnership into a private limited company, Airight Ltd, in 2001 they gained the advantage of limited liability. Use the words below to complete the explanation of limited liability that follows.

Liquidation Debts Assets Private possessions

If the business goes into and it has
it must sell off its to raise money. The owners do not have to
sell their to raise money. [4]

(d) Nazeem and Andrea decided to change the business to a limited company owned by shareholders so that they could raise more money.

(i) Explain why having shareholders would help a limited company to raise more money.
.....
.....
..... [2]

(ii) Explain why Nazeem and Andrea may have needed to raise more money for their business.
.....
.....
..... [2]

[Total: 24 marks]

- 4 (a) Mark Seddon was employed by Airight Ltd as an engineer. He fitted and maintained the air conditioning systems that Airight Ltd sold. Fig. 6 shows Mark’s wage slip for the week ending 12 May 2006.

Fig. 6 – Wage Slip for Mark Seddon – Week ending 12 May 2006

Employee Mark Seddon		Employee Number 26	
Week No: 6		Week Ending: 12 May 2006	
Pay	£	Deductions	£
Basic Pay	<input type="text"/>	Income Tax	84
Overtime Pay	72	National Insurance	36
Gross Pay	492	Pension Contribution	20
Net Pay	352	Total Deductions	140

- (i) Calculate the basic pay that Mark earned in the week ending 12 May 2006. Show your working.

.....
 [2]

- (ii) Mark worked four hours overtime in the week ending 12 May. Calculate the amount he was paid for **each** hour of overtime. Show your working.

.....
 [2]

- (iii) Mark is usually paid £12 for each hour that he works. Explain why Airight Ltd pays a higher amount for each hour of overtime that he works.

.....
 [2]

- (iv) Some air conditioning firms pay engineers such as Mark Seddon a piece rate for each unit that they fit. Airight Ltd does not pay piece rates. From the list of statements below, tick against the **three** disadvantages to Airight Ltd of paying piece rates to air conditioning engineers.

Statement	Tick the <i>three</i> statements that are <u>disadvantages</u> of paying piece rates to air conditioning engineers.
The engineers will concentrate better on their work to get more done.	
The engineers may rush their work leading to poorer quality.	
Airight Ltd will fit more air conditioning units in the same amount of time.	
Airight Ltd could get a reputation for poor workmanship.	
Airight Ltd would need to employ people to check the quality of the work done by its engineers to reduce mistakes.	
Engineers would need more training.	

[3]

- (b) Mark Seddon was made redundant when Airight Ltd reduced its number of engineers.

- (i) Explain what is meant by redundancy.

.....

 [2]

- (ii) Mark decided to go into business as a sole trader fitting air conditioning systems. State and explain **two** benefits to Mark of becoming a sole trader.

Benefit 1

Explanation

.....

Benefit 2

Explanation

.....
 [4]

(iii) State and explain **two** problems that Mark may face as a result of becoming a sole trader.

Problem 1

Explanation

.....

.....

Problem 2

Explanation

.....

..... [4]

(c) Mark has been reading about the importance of training workers. The statements in Fig. 7 give different types of training for workers and the reasons why these may be needed.

(i) Match the **reason** for training with the **type** of training by writing the appropriate letter in the middle column. The first one has been done for you.

Fig. 7 – Types of training and reasons for them.

Types of training for workers	Letter giving appropriate reason	Reason for training
1 Re-training	(e)	(a) This is needed to learn how to deal with engineering equipment.
2 Induction training		(b) This may be needed so that the worker can deal with customers.
3 To develop engineering skills		(c) The worker may need to learn how to organise employees or to control budgets.
4 Management skills		(d) This is needed to introduce new workers to the business.
5 Communication skills		(e) This is needed for a worker whose job no longer exists because, for example, a machine does it instead.

[4]

(ii) Mark is thinking about taking a week off work to go on a training course costing £1000. Is this a good idea? Give reasons for your answer.

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..... [3]

[Total: 26 marks]

- 5 (a) Fig. 8 shows the Trading and Profit and Loss Account for Airight Ltd for the year ending 31 March 2007.

Fig. 8
Airight Ltd – Trading and Profit and Loss Account for the year ending 31 March 2007

	2007 (£)
Sales	2,000,000
Cost of goods sold	<u>1,500,000</u>
Gross Profit	<input style="width: 100px; height: 20px;" type="text"/>
Expenses	<u>200,000</u>
Net Profit	300,000
Tax	<u>75,000</u>
Profit after tax	225,000
Dividend paid	<u>125,000</u>
Retained profit	100,000

- (i) Name the tax that Airight Ltd pays on its profits.
 [1]
- (ii) Explain the term dividend.

 [2]
- (iii) Give **two** examples of expenses that Airight Ltd may pay.
 Expense 1
 Expense 2 [2]
- (iv) Calculate the gross profit that Airight Ltd made in 2007. Show your working.

 [2]

- (v) The shareholders of Airight Ltd want it to raise its profits in 2008. Explain whether or not each of the following would be a good way for Airight Ltd to increase its profits.

Buy air conditioning motors from a cheaper supplier.

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

Raise the prices of the air conditioning units it sells.

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


(b) Fig. 9 is an extract from a newspaper article that appeared in the Bowton Evening Chronicle.

Fig. 9 – Extract from the Bowton Evening Chronicle

GOOD NEWS FOR BOWTON

Korean electronics giant NXP announced a take over offer of £2.5m for Airight Ltd, the Bowton based air conditioning firm.

A spokesman for NXP said the firm would expand the factory at a cost of £5m and that this would bring real benefits for the people of Bowton.



Explain why a takeover by NXP may bring benefits to the people of Bowton.

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.....

.....

.....

..... [6]

(c) The following are stakeholders in Airight Ltd who live or work in the town of Bowton.

- John Brown – owner of Fastfit Airconditioning.
- Asa Duren – Treasurer, Bowton Borough Council.
- Amelie Day – Leader of the local environmentalist group.
- Chelsea Williams – a resident on the housing estate near the Airight Ltd factory.
- Darren Griffiths – owner of a local building firm.
- Ryan Tyne – a manager of Airight Ltd.

Choose **three** stakeholders from the list above who would be likely to be **against** expansion of the factory by NXP. Explain why each would be against the expansion.

Stakeholder

Reason

.....

Stakeholder

Reason

.....

Stakeholder

Reason

..... [6]

[Total: 27 marks]

