

GCSE (FOUNDATION TIER)
BUSINESS STUDIES A
Paper 1 (Common Core)
THURSDAY 14 JUNE 2007

F **1951/1**

Afternoon

Time: 1 hour 45 minutes

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



* G U E / T 2 0 7 9 2 *

Candidate
Name

Centre
Number

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Candidate
Number

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INSTRUCTIONS TO CANDIDATES

- Write your name, Centre Number and Candidate number in the boxes above.
- Answer **all** the questions.
- Use blue or black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure you know what you have to do before starting your answer.
- Do **not** write in the bar code.
- Do **not** write outside the box bordering each page.
- 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 labelled with an asterisk (*).
- You may use an approved calculator.


FOR EXAMINER'S USE

Question 1	
Question 2	
Question 3	
Question 4	
Question 5	
TOTAL	

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

- 1 (a) WaterHelp is a franchise organisation. It was started by Jack Formby in 1996. He produced a leaflet to advertise a franchise available in the Bowton area. Fig. 1 shows an extract from the leaflet.

Fig. 1 – Bowton WaterHelp Franchise (BWHF) – Advertising Leaflet

Bowton WaterHelp Franchise (BWHF) – Basic Information	
WaterHelp	
The franchisor is WaterHelp. It has 25 successful franchises across the UK, selling bottled water to businesses, hospitals and schools for use in dispensing machines. All the water is supplied by WaterHelp.	
Bowton WaterHelp Franchise (BWHF)	
The franchise offered will be called Bowton WaterHelp (BWHF). It will suit a sole trader.	
Royalty Fee	
The franchisee must pay an annual royalty fee of £10,000.	
Free Training provided by WaterHelp	
Managing the business. Getting customers.	
Advertising	
The franchisor will run a national campaign promoting WaterHelp.	

- (i) State four features of a franchise.

1

2

3

4 [4]

(ii) Recommend **two** skills or qualities that Jack should look for in someone to run the franchise. Give a reason for each recommendation.

1

Reason

.....

.....

2

Reason

.....

..... [4]

- (b) Danielle Smith applied successfully to run BWHF. Fig. 2 gives information about costs and sales of BWHF.

Fig. 2 – Bowton WaterHelp Franchise (BWHF) – Advertising Leaflet

Bowton WaterHelp Franchise (BWHF) – Costs and Sales

Start up costs to be paid in the first year

The franchisee must pay a fee of £10,000.
 The franchisee will need:
 A warehouse – £5,000 rent.
 A van – leased from WaterHelp for £4,000.

Possible sales (Based on sales in other areas).

Monday to Friday – 10 deliveries per day.
 Number of bottles per delivery – 10
 Selling price per bottle – £5

Water cost

Cost per bottle – £2 (sold to franchisee by WaterHelp).

Using the information in Fig. 2, calculate the following. Show your working.

- (i) How much it will cost Danielle to start up BWHF in the first year (excluding the costs of water).

Working

.....

Answer [3]

- (ii) How many bottles of water Danielle could expect to sell **each week**.

Working

.....

Answer [3]

- (iii) What would be the cost of buying this number of bottles from WaterHelp.

Working

.....

Answer [2]

(iv) The sales revenue Danielle could expect to earn from selling this number of bottles.

Working

.....

Answer [2]

(v) Using your answers to parts (iii) and (iv), calculate the gross profit that Danielle could expect to make each week.

Working

.....

Answer [2]

(c) State **three** business costs **not** mentioned in Fig. 2 that Danielle will have to pay when running BWHF.

1

2.....

3..... [3]

(d) Explain why businesses such as BWHF may **not** make as much profit as planned.

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..... [4]

(e) Tick the **two** statements below that are true about the importance of the profits to Danielle.

Statement	Tick
Profits provide her with income.	
Profits must be shared with the workers.	
Profits have to be distributed to shareholders.	
Profits provide her with money that she can use to expand the business.	

[2]

[Total: 29 marks]

[Turn over

2 (a) Danielle started BWHF as a sole trader.

(i) State and explain **two** advantages to Danielle of running the business as a sole trader.

Advantage 1

Explanation

.....

Advantage 2

Explanation

..... [4]

(ii) State and explain **two** disadvantages to Danielle of running the business as a sole trader.

Disadvantage 1

Explanation

.....

Disadvantage 2

Explanation

..... [4]

(b) Danielle buys water on trade credit from WaterHelp. Explain how trade credit will help Danielle's business.

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..... [4]

(d) Danielle wants to put some information about the business on the side of the van. Recommend **three** things she should put on the van. Give a reason for each of your recommendations.

1

Reason

2

Reason

3

Reason

..... [6]

[Total: 24 marks]

- 3 (a) (i) Danielle needs to recruit a worker to help with the delivery of the water and to act as a salesperson. Fig. 4 is a list of ideas Danielle has about the job and the person. Tick next to each statement to say whether the idea should be included in a job description **or** a person specification. The first statement has been ticked for you.

Fig. 4 – Danielle’s ideas about the Job and the Person

Idea	Job description	Person specification
The person must deliver water to the customers.	✓	
The person must have a clean driving licence.		
The person has to have good communication skills.		
The person will have to find new customers.		
The person will be punctual and reliable.		
The person will be responsible to Danielle.		
The person will need to look smart.		

[6]

- (ii) Using information provided by the applicants on their application forms and CVs, Danielle produced a shortlist of four final candidates. Recommend **two** methods of selection that she should use to choose which of the shortlisted candidates to employ. Give reasons for each of your recommendations.

First method of selection

Reasons

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.....

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Second method of selection

Reasons

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..... [6]

***(b)** Recommend **two** ways in which Danielle should motivate the new worker. Give reasons for each of your recommendations.

One

Reasons

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Two

Reasons

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..... [6+2]

***(c)** Danielle wants to train the new worker to be a good salesperson. Discuss whether she should train the worker using role plays **or** by taking the worker with her to watch her selling water to customers.

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..... [4+2]

(d) Explain **two** employment laws that Danielle must obey as the employer of the worker.

Law 1

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Law 2

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..... [4]

[Total: 30 marks]

- 4 (a) Fig. 5 below shows terms used in the balance sheet of businesses such as the BWHF and the definitions of those terms. Write the number of the definition of each term in the column next to the term. The definition of current liabilities has been done for you.

Fig. 5 – Balance Sheet Terms and Definitions

Term	Number	Definition
Current Assets		1. A heading for the different monies owed by the business that have to be repaid within 12 months.
Stock		2. The amount that the business has overspent on its bank account.
Debtors		3. A heading for those items owned by the business that can be changed into cash fairly quickly.
Cash at Bank		4. Money owed by customers to a business for goods they have bought.
Current liabilities	1	5. Goods that are in the warehouse of the business.
Creditors		6. Money the business has in its bank account.
Overdraft		7. Money owed by the business for the goods it has bought.

[6]

- (b) Fig. 6 below shows an extract from the balance sheet Danielle drew up for BWHF at the end of its first year of trading.

Fig. 6 – Extract from Balance Sheet of BWHF as at 31 December 2005

	2005
Current Assets	
Stock	£2,000
Debtors	£5,000
Cash at bank	£5,000
Current Liabilities	
Creditors	£3,000
Overdraft	£3,000
Net Current Assets	£6,000

(i) The formula for calculating the current ratio is:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Using the formula and the information in Fig. 6, calculate the current ratio for BWHF on 31 December 2005.

Working

Answer [3]

(ii) Does BWHF have enough current assets? Give reasons for your answer.

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..... [4]

(c) Explain how a rise in interest rates may affect:

(i) the costs of BWHF;

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..... [2]

(ii) the sales of BWHF.

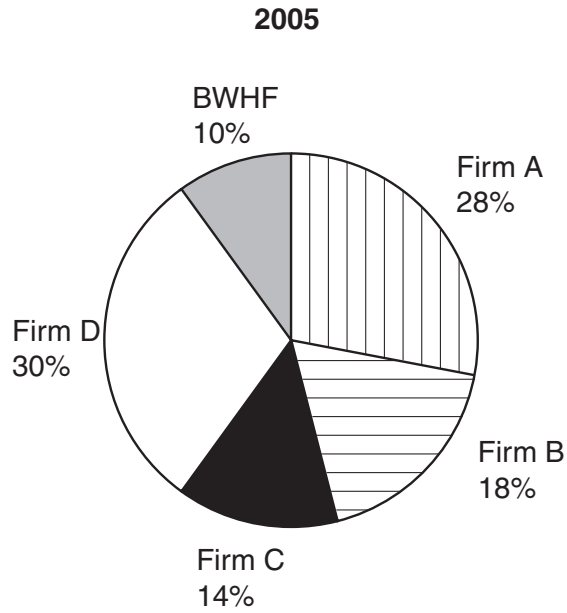
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[Total: 17 marks]

- 5 (a) Fig. 7 shows the shares of the Bowton area market for bottled water sold for dispensers in 2005.

Fig. 7 – Share of dispensed water market in Bowton – 2005

Total Value of Sales 2005 - £1,000,000



Calculate the value of sales made by BWHF in 2005. Show your working.

Working

.....

Answer [2]

(b) Danielle researched some information about water. Fig. 8 shows her findings.

Fig. 8 – Danielle’s findings about water

Letter	Statement of finding
A	Drinking water helps people to concentrate.
B	Drinking lots of water helps to keep your skin looking younger.
C	Drinking water before physical activity improves performance.

Recommend **one** statement from Fig. 8 that Danielle should use on posters to promote the drinking of water in each of the following places. Give reasons for each of your recommendations.

(i) Schools

Statement Letter

Reasons

..... [2]

(ii) Gymnasiums

Statement Letter

Reasons

..... [2]

(c) Recommend **two** ways, other than using a poster, that Danielle should use in schools to market the drinking of water. Give reasons for each of your recommendations.

First Recommendation

Reasons

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.....

.....

Second Recommendation

Reasons

.....

..... [6]

(d) Fig. 9 is an extract from a newspaper article about WaterHelp.

Fig. 9 – Extract from newspaper article

WaterHelp makes record donations

An image has been removed due to third party copyright restrictions

Details: An image of a woman pumping water into a container and two watering cans

WaterHelp money paid for a new well to be built in an African village. The owner of WaterHelp, Jack Formby, said, "It's great to see the villagers becoming independent – that's why I set up the business."

Jack Formby, the owner of WaterHelp, gives 10% of the price of each bottle of water that he sells to AidAfrica, a charity that provides help for poor people in Africa.

- (i) Calculate how much will be donated to AidAfrica from the sale of each £2 bottle of water. Show your working.

Working

.....

Answer [2]

(ii) Fig. 10 is a list of possible business objectives.

Fig. 10 – Business Objectives

- Profit
- Growth
- Survival
- Providing a service
- Raising money to help others.

Consider the information in Fig. 9. Select from Fig. 10 the statement that gives the main objective of Jack Formby’s WaterHelp business. Explain your answer.

Objective

Explanation

..... [2]

(iii) Choose **two other** business objectives from Fig. 10. Explain why businesses set these as objectives.

Objective 1

Explanation

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Objective 2

Explanation

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[Total: 20 marks]

If you use the following lined pages to complete the answer to any question, the question number **must** be clearly shown.

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