

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

1951/03

Paper 3 – Option: Business and Change

MONDAY 16 JUNE 2008

Afternoon
 Time: 1 hour

Candidates answer on the question paper
Additional materials (enclosed): None

Additional materials (required):
 Calculators may be used



Candidate
 Forename

Candidate
 Surname

Centre
 Number

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Candidate
 Number

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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 **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	
1	
2	
TOTAL	

This document consists of **14** printed pages and **2** lined pages.

1 Wallis Ltd is a medium-sized food producer, selling a wide range of ready meals such as lasagne and pizzas to the major supermarkets and other food outlets.

(a) (i) State and explain **one** advantage and **one** disadvantage to Wallis Ltd of running the company as a private limited company rather than a partnership.

Advantage

.....

.....

Disadvantage

.....

..... [4]

(ii) State **one** business objective Wallis Ltd may have. Give **one** reason why it is important the business meets this objective.

Business objective

Reason

..... [2]

(b) Wallis Ltd operates in a competitive market.

(i) From the list below, tick **one** box to correctly match the term **competitive market** with its explanation.

	✓
A market which has many similar companies.	
A market dominated by a small number of large companies.	
A market dominated by one company.	

[1]

(ii) State **one disadvantage** to Wallis Ltd of being in a competitive market.

..... [1]

(c) Fig. 1 shows the value of current assets owned and current liabilities owed by Wallis Ltd.

Current ASSETS (owned by Wallis Ltd)	£5 million
Current LIABILITIES (owed by Wallis Ltd)	£10 million

Fig. 1

(i) Calculate the value of current liabilities Wallis Ltd would not be able to pay off after selling its current assets. Show your working.

.....

.....

..... [2]

(ii) Using the list below, state the problem Wallis Ltd would face if it could not pay off its current liabilities.

PROBLEM
Liquidation
Expansion
Increasing market share

Problem [1]

- (d) The government wishes to encourage companies, such as Wallis Ltd, to invest in more environmentally friendly production processes. The information below shows three actions which may or may not help the government in achieving its aim.

Indicate, with a **tick**, if each action is likely **or** unlikely to help the government to encourage companies to invest in more environmentally friendly production processes.

ACTION	LIKELY to encourage companies to invest in more environmentally friendly production processes	UNLIKELY to encourage companies to invest in more environmentally friendly production processes
Decrease taxes on oil, gas and electricity used by companies such as Wallis Ltd.		
Decrease taxes on companies such as Wallis Ltd when they invest in new environmentally-friendly machinery.		
Decrease government grants for training managers of companies in environmental matters.		

[3]

(e) Fig. 2 provides a summary of information regarding Wallis Ltd and the amount spent on convenience food by UK households.

	2006	2007	2008 forecast
Value of UK convenience food market	£965 million	£945 million	£850 million
Wallis Ltd market share	12%	11%	10%
Value of Wallis Ltd market share	£115.8 million	£103.9 million	£85 million

Fig. 2

(i) Using the information in Fig. 2 calculate the change in the value of Wallis Ltd market share between 2006 and the forecast 2008. Show your working.

.....

 [2]

(ii) Analyse the information shown in Fig. 2, and suggest **one** possible action which Wallis Ltd may take in response to the information. Give reasons for your answer.

.....

 [6]

- (f) Wallis Ltd is deciding whether to join with Doyle Ltd. Some information on both companies is shown below.

Wallis Ltd	Doyle Ltd
Supplies a variety of convenience food e.g. ready meals.	Makes a range of quality clothing.
100 staff	75 staff
Amount of borrowing from the bank is low.	Amount of borrowing from the bank is high.

Fig. 3

- (i) By selecting the correct word from the list below, complete the sentence to describe the type of integration Wallis Ltd is considering.

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

Wallis Ltd and **Doyle Ltd** joining is an example of integration. [1]

(ii) Below is a list of some of the possible benefits and problems to Wallis Ltd of an integration with Doyle Ltd.

- **Spread risk**
- **Borrowing from the bank is high with Doyle Ltd**
- **75 new staff**
- **Less control of the business**

Use the list above to advise Wallis Ltd whether or not it should integrate with Doyle Ltd. Give reasons for your answer.

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..... [5]

[Total marks: 28]

2 Anne-Marie plc is a large multinational company which makes and sells a variety of household products, such as refrigerators and washing machines, to customers within the European Union.

(a) (i) Draw **one** line which correctly matches the term **multinational company** with its explanation.

Multinational company

A company in which most or all of the shares are owned by a holding company.

A company which owns a number of other companies.

A company which has a head office in one country but has manufacturing/service facilities in another.

[1]

(ii) Using the factors below, state and explain **one** advantage and **one** disadvantage of Anne-Marie plc being a multinational company.

- **Manufacturing bases can be spread around the world.**
- **Communication difficulties.**
- **The high cost of transporting goods.**
- **Production can be located where production costs are low.**

Advantage

Explanation

.....

Disadvantage

Explanation

..... [4]

(b) Anne-Marie plc is a large company which creates many costs to society such as congestion and pollution.

(i) Explain **one** way Anne-Marie plc may cause pollution.

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

(ii) State and explain **one** way governments may force Anne-Marie plc to reduce the congestion and the pollution it causes.

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

- (ii) State and explain **one** advantage and **one** disadvantage to **other UK businesses** of Anne-Marie plc relocating some of its business to Bangladesh.

Advantage

.....

.....

Disadvantage

.....

..... [4]

- (d) Study the following financial information on Anne-Marie plc and answer the questions which follow.

	2006	2007
Net profit	£200 million	£250 million
Price of share	£1	£1.50
Dividend	10 pence per share	12 pence per share

Fig. 5 – A summary of Anne-Marie plc financial situation 2007

- (i) Using Fig. 5, explain why shareholders would be pleased with the performance of Anne-Marie plc in 2007 compared with 2006.

.....

.....

..... [2]

- (ii) Complete Fig. 6 by writing each of the four statements in the appropriate column relating to shares or dividends.

STATEMENTS
1. Issued as a way of raising finance.
2. A payment made to shareholders.
3. Give the owner part ownership of the business.
4. Are usually paid twice a year.

SHARES	DIVIDENDS

Fig. 6

[4]

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

Headline 1

MINIMUM WAGE GOING HIGHER AND HIGHER!

Headline 2

CONSUMERS SPENDING MORE AND MORE ON HOUSEHOLD PRODUCTS!

Explain the possible effects on the performance of Anne-Marie plc of the events in the headlines. Which headline might have a greater effect on Anne-Marie plc? Give reasons for your answer, referring to **both** headlines.

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..... [5]

[Total marks: 32]

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