

**GCSE (FOUNDATION TIER)
 BUSINESS STUDIES A**

Paper 3 – Option: Business and Change
TUESDAY 19 JUNE 2007

F **1951/3**

Afternoon

Time: 1 hour

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



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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.
- 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.
- Do **not** write in the bar code.
- Do **not** write outside the box bordering each page.

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

For Examiner's Use	
Question 1	
Question 2	
Total	

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

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Details: An image of a pizza

1 In 1995 Alessia Rossi opened an Italian restaurant, 'Fiorentinas', selling food such as pasta and pizzas.

(a) (i) State and explain one advantage and one disadvantage to Alessia of running Fiorentinas as a sole trader.

Advantage _____

Disadvantage _____

_____ [4]

(ii) State and explain two factors which Alessia may have considered when deciding where to locate Fiorentinas.

Factor 1 _____

Factor 2 _____

_____ [4]

(iii) Fiorentinas creates many social costs and social benefits. The meanings of these terms are provided below.

Social costs	Costs paid by the community as a result of a business decision.
Social benefits	Gain to the community resulting from a business decision.

Use the above to give an example of one social cost and one social benefit which Fiorentinas may create.

Social Cost

Social Benefit

_____ [2]

(b) Fig. 1 shows the cost of making one pizza.

	2001	2003	2005	Forecast 2007
Cost of making one pizza	10 pence	14 pence	15 pence	20 pence

Fig. 1

Should Alessia be concerned by the data shown in Fig. 1? Give reasons for your answer.

[3]

- (c) Fiorentinas is in the service sector which also includes, for example, those employees working in banks and sports centres. Fig. 2 below shows the change in the level of employment in the service sector between 1985 and 2005.

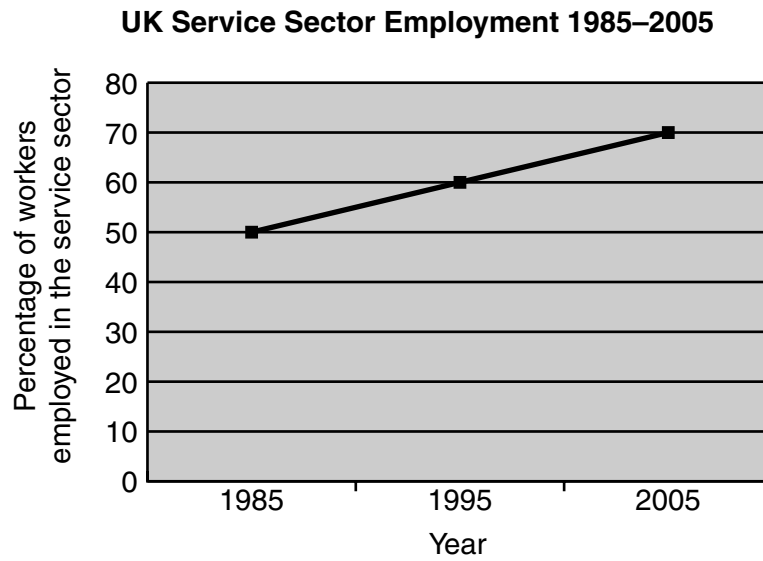


Fig. 2

Using the data in Fig. 2, explain **two** factors which might have caused the change in UK Service Sector Employment between 1985 and 2005.

1 _____

2 _____

_____ [4]

- (d) At the end of 2006, the Financial Manager of Fiorentina's provided the following financial information.

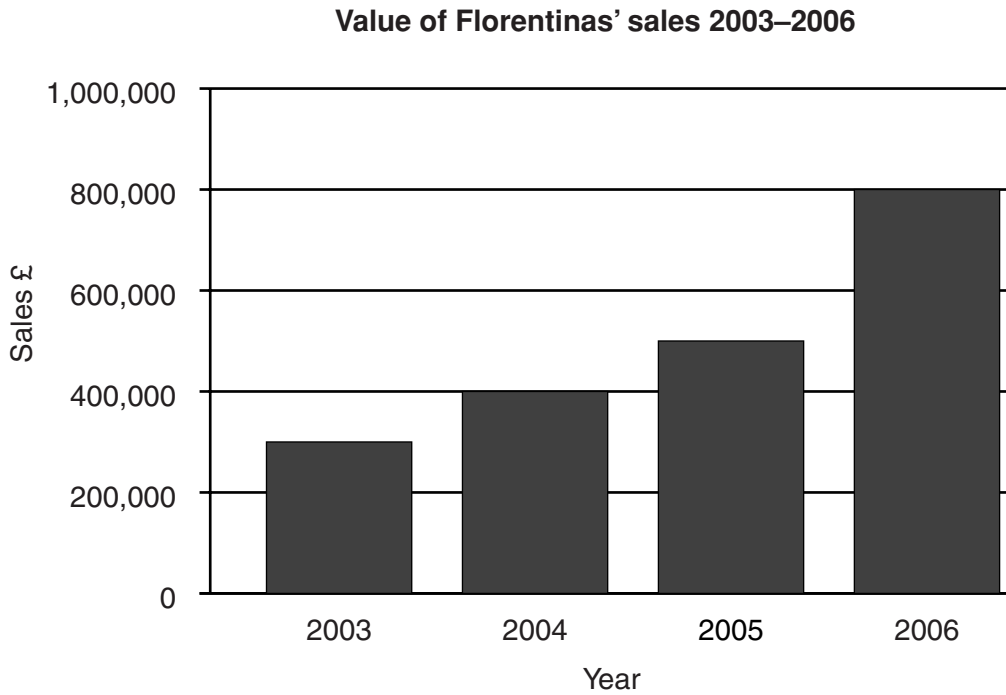


Fig. 3

Using Fig. 3, indicate, with a **tick**, if each event was likely or unlikely to have caused the change in Fiorentina's sales.

Event	Likely to have caused the change in Fiorentina's sales	Unlikely to have caused the change in Fiorentina's sales
Increased number of other businesses selling pasta and pizzas.		
Increased popularity of Italian food.		
Increased number of people going to restaurants.		

[3]

(e) Alessia's business grew steadily. By 2006 there were four Fiorentinas restaurants.

(i) Fig. 4 shows the internal organisational structure of one of the restaurants.

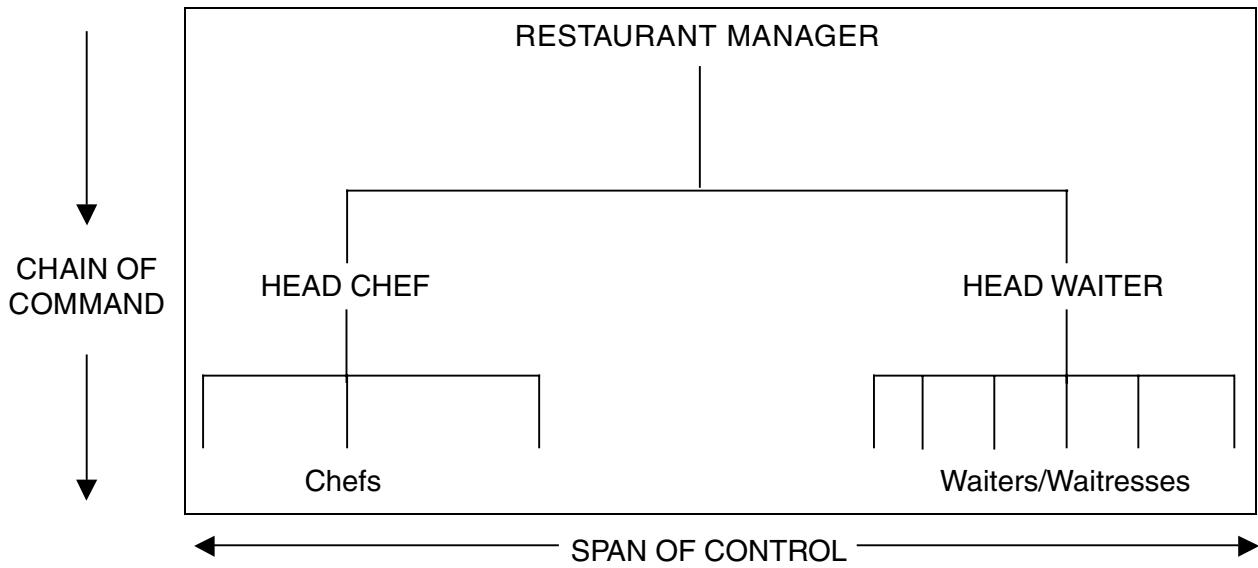


Fig. 4 – The internal organisational structure of a Fiorentinas restaurant.

Using Fig. 4, explain the meaning of the following terms.

Chain of Command _____

Span of Control _____

[4]

- (ii) In one of her restaurants, Alessia employs 20 waiters and waitresses. These workers are of various ages and are paid the national minimum wage.

Age	2005 National Minimum Wage rate	2006 National Minimum Wage rate
22 and above	£4.85	£5.35
18 – 21	£4.10	£4.45
16 – 17	£3.00	£3.30

Fig. 5

Using the figures in Fig. 5, explain which age group of workers benefits the most from the changes in the national minimum wage. You should refer to each age group in your answer.

[4]

[Total marks: 28]

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Details: An image of a pram

2 Littlechild plc makes and sells a range of prams and car seats for babies. It sells directly to customers over the Internet and to stores in the UK and the rest of the European Union (EU).

(a) (i) From the list below, tick one box which is only a feature of a public limited company.

Feature	<input checked="" type="checkbox"/>
Shares can be bought and sold on the stock market.	<input type="checkbox"/>
The company has the letters Ltd after its name.	<input type="checkbox"/>
A deed of partnership is drawn up between the owners.	<input type="checkbox"/>

[1]

(ii) State and explain one advantage to Littlechild plc of selling both prams and car seats rather than just prams.

[2]

***(b)** In the past, Littlechild plc has leased the machines which make the prams. It had bought the machines which make the car seats. All the machines now need to be replaced.

The Managing Director of Littlechild plc must decide whether to lease all of the machines or buy all of the machines. Fig. 6 shows some of the factors he would have to consider.

Factor	Lease	Buy
Initial cost of the machines.	No cost	High cost
Machine repaired by the manufacturer if it breaks down.	Yes, for life of machine	Yes, but only for first year
Total cost over the life of the machine.	High cost	Medium cost
Can Littlechild plc sell the machine when it is replaced?	No	Yes

Fig. 6

Using Fig. 6, and any other information, advise the Managing Director whether Littlechild plc should lease or buy all of its machines. You should refer to each of the factors shown in Fig. 6.

[6+2]

QWC

- (c) Study the following financial information on Littlechild plc and Baby Baby plc, a similar business in the pram and baby car seat market.

Littlechild plc		Baby Baby plc	
	£m		£m
Sales	175	Sales	200
Net Profit	15	Net Profit	20

Fig. 7 – A Summary of Littlechild plc and Baby Baby plc financial situation 2006

Using the figures in Fig. 7 and the formula below, explain which of the two companies would be more pleased with its performance. Give reasons for your answer.

$$\text{NET PROFIT TO SALES RATIO} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

[4]

(d) The performance of Littlechild plc may be affected by the trend shown in Fig. 8.

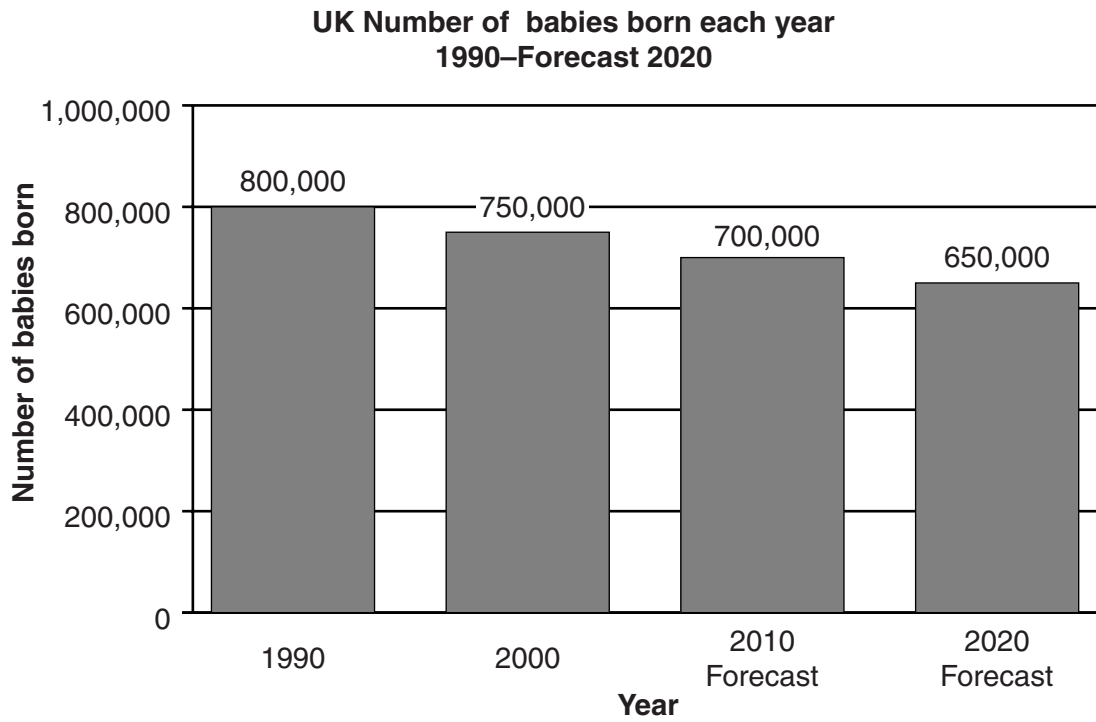


Fig. 8

(i) How might the trend shown in Fig. 8 affect Littlechild plc? Give reasons for your answer.

[3]

(ii) The Managing Director of Littlechild plc realises it needs to react to the trend in the number of babies born in the UK as shown in Fig. 8. He could either:

- diversify;
- OR
- reduce the workforce.

Recommend which of the above strategies Littlechild plc should use. Justify your answer by explaining why you did **not** recommend the other strategy.

Strategy _____

Explanation _____

[5]

(e) Sales of prams tend to be higher in December so Littlechild plc needs to recruit more employees to make more prams for sale at that time of the year. It is thinking about employing either permanent or temporary employees to cover this period.

(i) Draw a line which correctly matches the term temporary employee with its explanation.

An employee who may work for 36 hours or more per week but works for the business for a short period.

An employee who works less than 36 hours per week.

Temporary employee

[1]

(ii) Using the list below, advise the Managing Director whether Littlechild plc should recruit permanent employees or temporary employees in the run up to December. You should refer to both of the factors listed below in your answer.

- How hard-working each employee will be.
- The length of time the employees are needed by the business.

[4]

(f) Littlechild plc is concerned about possible wage increases in the future. Fig. 9 shows recent and forecast wages.

		2005	Forecast 2008
Forecast 1	Average wage in the UK	£20 000 per year	£25 000 per year
Forecast 2	Average wage in the UK	£20 000 per year	£22 000 per year

Fig. 9

Explain whether Forecast 1 or Forecast 2 will have the **biggest** impact on Littlechild plc. You should refer to both Forecast 1 and Forecast 2 in your answer.

[4]

[Total marks: 32]

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