

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

1951/07

Case Study – Paper 7 (Foundation Tier)

FRIDAY 23 MAY 2008

Morning
 Time: 1 hour 30 minutes

Candidates answer on the question paper

Additional materials (enclosed): Clean copy Case Study

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.
- Make sure that all your answers relate to the pre-released case study material.

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 **90**.
- 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 **13** printed pages and **3** lined pages.

Answer **all** questions.

MAKE SURE THAT ALL YOUR ANSWERS RELATE TO THE PRE-RELEASED CASE STUDY MATERIAL.

1 Use the case study to answer the following questions.

(a) (i) State and explain **one** possible reason why Alan first set up Link Spas as a private limited company.

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.....[2]

(ii) Explain **one** advantage to Alan of using his own money to set up Link Spas Ltd.

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.....[2]

*(iii) Link Spas plc's objectives have changed (see case study lines 6–9) and are **now**:

- to make a profit
- to expand
- to gain greater market share.

Why have Link Spas plc's objectives had to change over the last 20 years?
Give reasons for your answer.

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.....[6+2]

QWC

(b) Explain **two** possible advantages to Link Spas plc of locating on the outskirts of large towns or cities.

1

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2

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.....[4]

[Total mark : 16]

(b) Reg is not happy about Mosin Khan's plans to introduce performance appraisal (see case study lines 49–55).

Explain **one** way in which Mosin could overcome the problem with Reg.

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

(c) State **two** possible problems associated with employing workers from Eastern Europe at Link Spas plc.

1
2[2]

(d) Link Spas plc must take account of the following legislation:

- **health and safety**
- **minimum wage.**

Which of the two is likely to have the **most** effect on the operation of Link Spas plc? Give reasons for your answer.

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.....[4]

[Total mark : 18]

3 (a) Link Spas plc needs to improve its relationship with the residents of Skathely.

Alan and Jane have discussed the following possible actions:

- A hold regular consultation meetings in the village hall regarding noise levels and traffic congestion;
- B give free introductory offers to anyone living within 10-miles of the spa;
- C sponsor community activities such as football teams and local events;
- D reduce the prices of all Link Spas plc's services.

(i) Which **two** actions do you think would be the most successful in improving the relationship with the residents of Skathely? Give reasons for your choices.

Action 1

Reasons

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Action 2

Reasons

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[6]

*(ii) Explain why you have **not** chosen the other **two** actions.

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[4+2]

QWC

(b) Use Resource Sheet 1 to answer the following question.

Calculate the percentage increase in total revenue between year ended 31.8.06 and year ended 31.8.07. Show your working.

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.....[3]

(c) Leonie and May are considering the following proposals to increase sales revenue:

- **providing free minibus transport from the nearest bus and railway stations to Link Spas plc**
- **reduced subscription prices for local residents**
- **reduced subscription prices during low season**

Which proposal should Link Spas plc introduce to increase sales revenue? Give reasons for your recommendation.

Choice

Reasons

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.....[4]

[Total mark : 19]

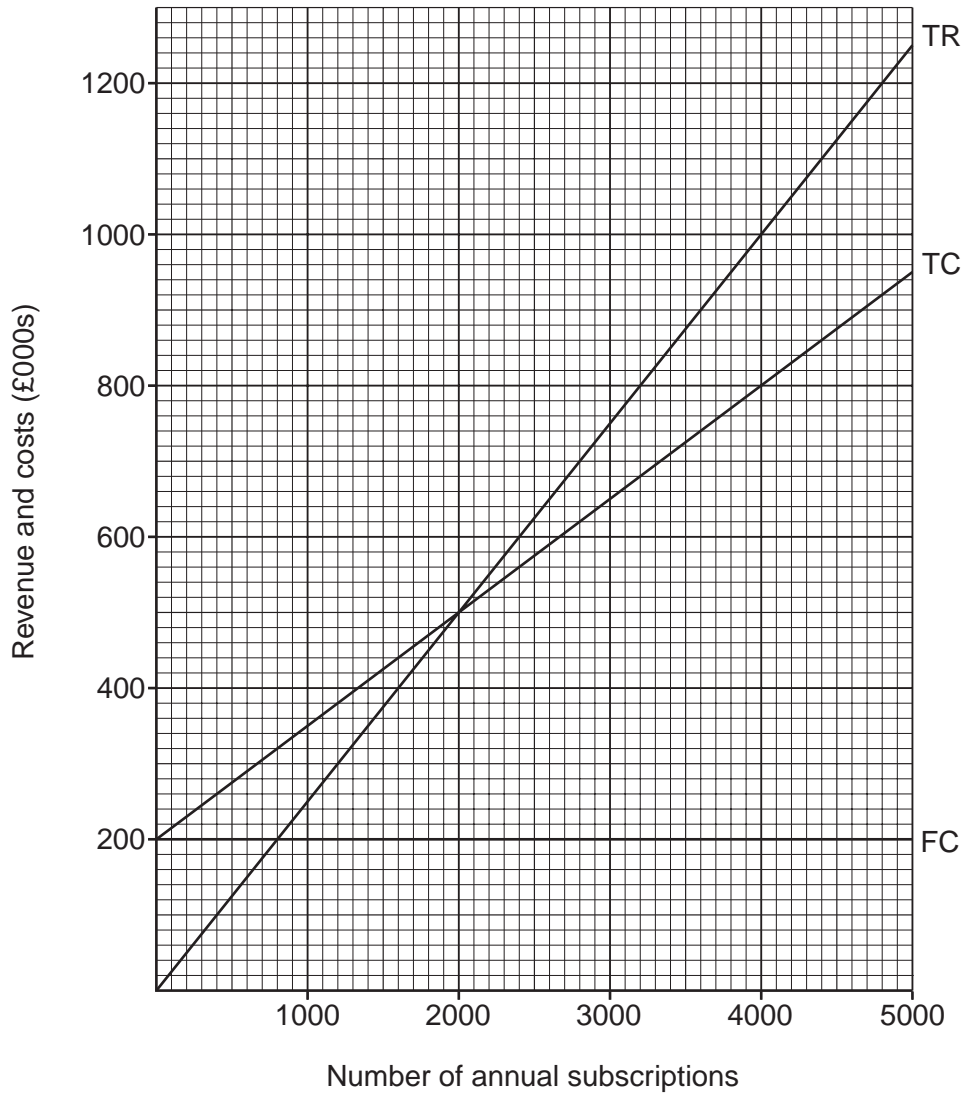
- 4 (a) Use Resource Sheet 4 to answer the following question.

Identify **one** example of a variable cost relating to the spa in Poland.

.....[1]

- (b) Leonie has been asked to calculate how many annual subscriptions are needed at the spa in Poland for it to break-even. To help her calculate this she has prepared a break-even chart.

Break-even for spa in Poland



Use the break-even chart to answer the following questions.

(i) How much are the fixed costs?

.....[1]

(ii) How many annual subscriptions must be sold to break even?

.....[1]

(iii) Based on the information in the break-even chart, if 4000 annual subscriptions were sold, how much profit would be made?

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.....[3]

(c) The fixed cost of the spa in Poland has increased to £0.3m The variable cost per subscription is £200 and the selling price for each annual subscription is £300.

The formula for calculating break even is

$$\frac{\text{fixed cost}}{\text{selling price} - \text{variable cost}}$$

Using the formula above, calculate the new break-even point. Show your working.

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.....[3]

(d) Use the information in Resource Sheets 3 and 4 to answer the following questions.

(i) Using Chart A, identify **one** segment of the market that would be **most** likely to want a personal trainer to visit their home.

.....[1]

(ii) May Wong thinks that Link Spas plc will have to charge £50 an hour to make a profit from the personal trainers visiting people in their homes.

Using Chart E, how many people said they would pay £50 per hour?

.....[1]

(iii) Using Resource Sheet 4, identify **one** fixed cost to Link Spas plc of employing personal trainers to visit people's homes.

.....[1]

(e) Using Chart F, advise May on which **area** of the country Link Spas plc should sell and install hot tubs and saunas. Give reasons for your answer.

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.....[3]

(f) How important is it for Link Spas plc to find out costs and revenue information before coming to a decision about selling new products and services? Give reasons for your answer.

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.....[4]

(g) Link Spas plc could use the following sources of finance for the spa in Poland:

- sale of shares
- sale of existing spa in Britain
- bank loan.

Recommend to the Board of Directors which source of finance would be **best** for Link Spas plc to use to finance the spa in Poland.

Source

Reasons

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.....[3]

[Total mark : 22]

5 Use the information in the case study and all the Resource Sheets to answer the following questions.

(a) The Board of Directors of Link Spas plc has to make a decision about which one of the following options to choose:

- employ personal trainers to visit people's homes
- sell and install hot tubs and saunas
- open a new spa in Poland.

(i) Explain **one** possible advantage and **one** possible disadvantage to Link Spas plc of employing personal trainers to visit people's homes.

Advantage

.....
.....

Disadvantage

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

(ii) Explain **one** possible advantage and **one** possible disadvantage to Link Spas plc of selling and installing hot tubs and saunas.

Advantage

.....
.....

Disadvantage

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

(iii) Explain **one** possible advantage and **one** possible disadvantage to Link Spas plc of setting up a spa in Poland.

Advantage

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.....

Disadvantage

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.....[4]

(b) Which of the **three** options would you recommend to Link Spas plc?

Explain **one** reason for your choice.

Choice

Reasons

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.....[3]

[Total mark : 15]

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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