

Oxford Cambridge and RSA Examinations
General Certificate of Secondary Education

BUSINESS STUDIES
 FOUNDATION TIER
 CORE PAPER

1951/1

Specimen Paper 2003

Additional materials:
 Candidates answer on the question paper.

TIME 1 hour 45 minutes

Candidate Name	Centre Number	Candidate Number												
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; height: 20px;"></td> <td style="width: 15%; height: 20px;"></td> <td style="width: 15%; height: 20px;"></td> <td style="width: 15%; height: 20px;"></td> <td style="width: 15%; height: 20px;"></td> <td style="width: 15%; height: 20px;"></td> </tr> </table>							<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; height: 20px;"></td> <td style="width: 15%; height: 20px;"></td> <td style="width: 15%; height: 20px;"></td> <td style="width: 15%; height: 20px;"></td> <td style="width: 15%; height: 20px;"></td> <td style="width: 15%; height: 20px;"></td> </tr> </table>						

INSTRUCTIONS TO CANDIDATES

- Write your name in the space above.
- Write your Centre number and candidate number in the boxes above.
- Answer all the questions.
- Write your answers, in blue or black ink, in the spaces provided on the question paper.
- Read each question carefully and make sure you know what you have to do before starting your answer.

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 in marking your answers to questions marked with an asterisk (*).

Question number	For examiner's use only
1	
2	
3	
4	
6	
TOTAL	

Question 1

- (a) (i) The pie chart shows the tax collected from people and businesses in Marston in 1999.

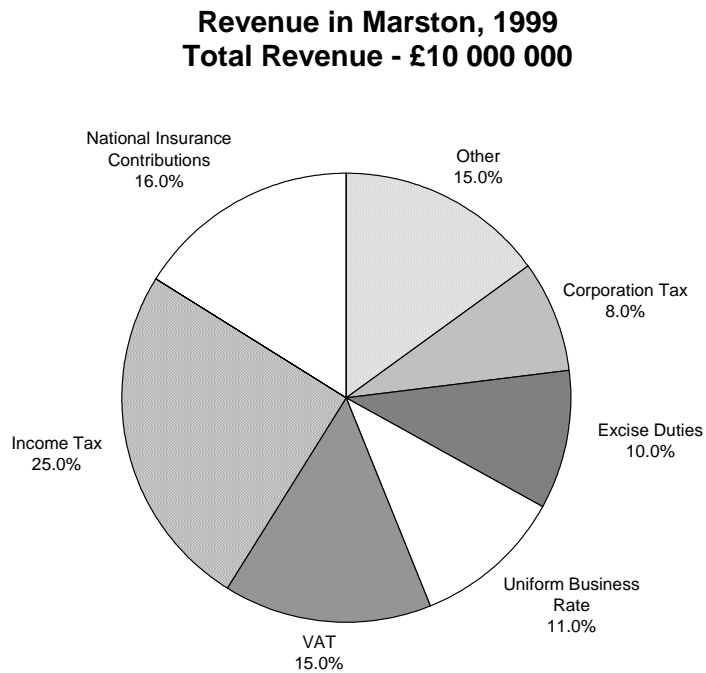


Fig. 1

Calculate the amount of income tax collected in Marston in 1999. Show your working.

[3]

- (ii) Explain how a rise in the rate of VAT might affect the amount that businesses earn from selling goods and services.

[4]

- (b) John Taylor is thinking of opening a garage business in the area of Marston. The government provides help to businesses in this area by building new roads and giving grants to new businesses. Explain why each of these may persuade John to set up his business in the Marston area.

The new roads

Grants to businesses

[6]

- (c) Explain how the following might be affected if new businesses set up in the area of Marston.

People who live in Marston

[4]

Other businesses in the area

[4]

The government

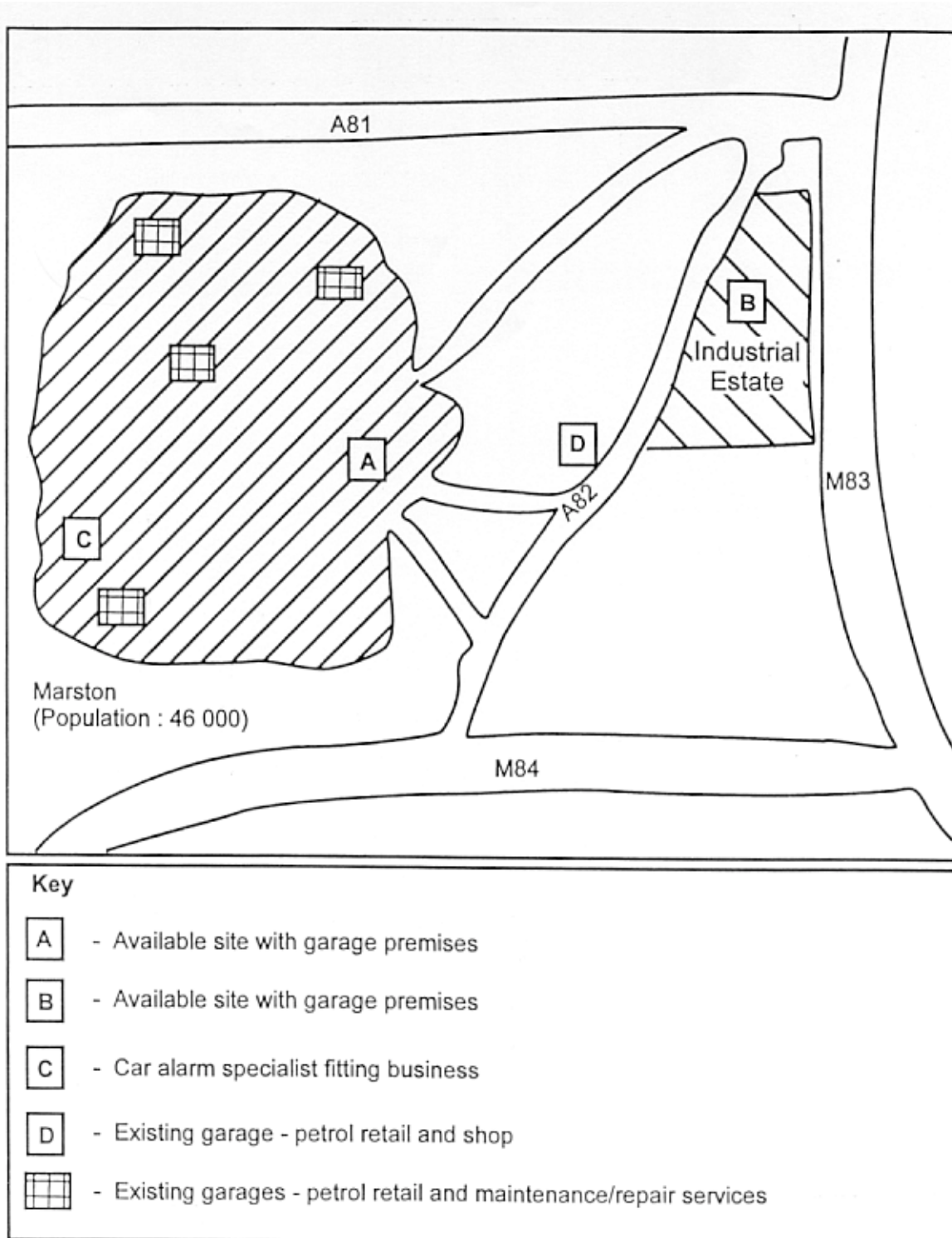
[4]

TOTAL MARKS 25

Question 2

The business that John Taylor plans to open will retail petrol, provide car maintenance and fit car alarms. He has two possible sites to choose from, marked A and B on the map below. Each has suitable premises.

MARSTON AND SURROUNDING AREA



- *(b)** John estimates that he will need to invest £25,000 to start the business. The business will need one more full-time person who will work as the mechanic and some part-time workers to sell petrol. He hopes to make about £15,000 profit in the first year.

Benefits of Sole Traders
Easy to set up
Can make all the decisions himself
Can keep all the profits

Benefits of Partnerships
Somebody else to suggest ideas about running the business
Will have more money for investment
Somebody else to run the business when he is not there

Using this information, say whether or not you would recommend that John sets up the business as a sole trader or as a partnership. Give reasons for your answer.

[6 + 2]

(c) As a sole trader, John would have unlimited liability. Explain what this means.

[4]

TOTAL MARKS 24

(ii) Calculate the value of sales of car alarms that John would make if he achieved a 50% share of the overall market for car alarms.

[3]

(iii) John is aiming to achieve a 50% share of the overall market for car alarms in his first year. Is this a reasonable objective? Give reasons for your answer.

[3]

***(c)** Recommend whether John should charge lower or higher prices for the car alarms than his competitors. Give reasons for your recommendations.

[6 + 2]

- (d) Friends have recommended the two methods given below for advertising the garage when he opens it. Discuss how appropriate you think each of these will be.

Word of mouth advertising.

[4]

Advertising in the local newspaper.

[4]

- (e) State why the government has strict controls on advertising.

[2]

TOTAL MARKS 31

Question 4

John will fit the car alarms himself. He will employ a mechanic to do the car repair and maintenance work.

- (a) (i) State the skills and personal qualities that the mechanic would require to do the job successfully. Give reasons for your answer.

[4]

- (ii) State **three** ways in which John may get information about applicants for the job of mechanic.

[3]

(b) At the end of the first week in business John paid the mechanic and the one sales assistant that he employed as follows:

The mechanic - 40 hours at a rate of £6 per hour
plus 5 hours at time and a half

The sales assistant - 30 hours at a rate of £4 per hour
plus 10% commission on sales of £500

Calculate the amount that John paid to these workers. Show your working.

[6]

Question 5

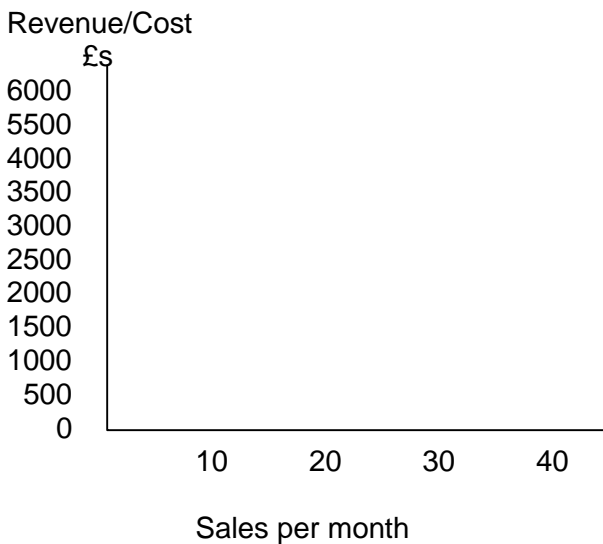
(a) As part of his business plan, John prepared the following information about the revenue and the costs of fitting the car alarms:

- Selling price - £200 per alarm
- Variable costs per alarm - £150

Use this information to complete the table below:

Number car alarms sold	Total Fixed Cost	Total Variable Costs	Total Costs	Total Revenue
10	1000	1500	2500	2000
20	1000	3000	4000	
30	1000		5500	6000
40	1000	6000	7000	8000

Use the information in the table to construct a break-even chart on the graph below:



[6]

(b) John considered two methods of charging for services to cars.

Method	Details of charges and estimated sales
One	Charge a fee of £80 per service. He estimated that he would sell 20 services per week at this price.
Two	Charge at £50 per hour. He estimated that the average service would take two hours and that he would sell 15 services at this price.

Recommend **one** of these methods of charging for a service. Give reasons for your answer.

[4]

(c) John intends to open a car wash on the premises. It will cost £69, 000 to do this.

Recommend **one** of the following methods of financing this investment. Give reasons for your answer.

Methods of Finance

Bank Loan

Issue of new shares

Retained profit

Hire purchase

[6]

TOTAL MARKS 16

Oxford Cambridge and RSA Examinations
General Certificate of Secondary Education

BUSINESS STUDIES
FOUNDATION TIER
CORE PAPER

1951/1

MARK SCHEME

Specimen Paper 2003

General advice to Assistant Examiners on the procedures to be used

1. An element of professional judgement is required in the marking of any written paper, and candidates may not use the exact words which appear in the detailed sheets which follow. If the business studies is correct and also answers the question then the mark(s) should normally be credited.
2. Mark in red. A tick (✓) should be used, at the appropriate point, for each answer judged worthy of credit.
3. Strike through all blank spaces and/or pages in order to give a clear indication that the whole of the script has been considered.
4. The mark total for each question should normally be ringed at the bottom right hand side.
5. In cases where candidates give multiple answers, mark the first answer(s) up to the total number required. In specific cases where this simple rule cannot be applied, the exact procedure to be used will be given in detail at the Examiners' Standardisation meeting.
6. Some questions may have a 'Level of Response' mark scheme. Details of these are given in this Mark Scheme.
7. Abbreviations, annotations and conventions used in the detailed Mark Scheme
 - / = alternative and acceptable answers for the same marking point
 - NOT = answers which are not worthy of credit
 - = (underlining) key words which **must** be used to gain credit
 - ecf = error carried forward

Question 1

25 Marks

1 (a) (i)	Target: Ability to apply business skills to number data.	
	One mark for a correct answer, 2 marks for correct method. 1,000,000 ÷ 100 (1) x 15 (1) = £150,000 (1)	3
(ii)	Target: Ability to apply knowledge about the effects of taxation on a business.	
	One mark for each point of development (max 4) <ul style="list-style-type: none"> The rise in VAT would cause the price of the goods and services to rise (1). This means the business may sell less (1) and if so would earn less money (1). The amount by which revenue would fall would depend upon how much sales fell by (1)/ price elasticity of demand (1). However, demand may not fall (1). The change in demand depends on the price elasticity of demand (1). (Idea explained in non-technical terms – 1 mark) 	4
(b)	Target: Ability to apply knowledge to evaluate the benefits of government policy.	
	One mark for each point of argument. (Max: 2 x 3 = 6 marks) <ul style="list-style-type: none"> The new roads will make it easier (1) cheaper (1) and quicker for the raw materials to be brought to John's garage. Also new roads should bring more traffic into the area (1) and this should lead to more business (1) for the garage. The grants are money towards the cost of setting up (1) and this will make it easier (1) for John to set up because he will not need to find as much money (1) from his own savings or a bank loan (1). 	6

1 (c)	Target: Ability to apply knowledge to predict the effects of government policy.	
	<p>One mark for each statement of effect and one mark for each point of explanation for that effect. (Max: 4 x 3 = 12 marks)</p> <p><u>People who live in Marston</u></p> <ul style="list-style-type: none"> • The number of people who are unemployed should fall (1) because they will find jobs in the new businesses (1). • The customers will benefit because there will be more choice (1) of places (1) and probably goods (1) for them to buy from. Also because there is more competition (1) the prices of goods may fall (1). <p><u>Other businesses</u></p> <ul style="list-style-type: none"> • Other businesses may sell more (1) if the new firms buy goods and services from them (1). They may also sell less (1) because of the increase in competition (1). <p><u>The government</u></p> <ul style="list-style-type: none"> • The amount of money that government collects in tax should go up (1) because more people will pay income tax (1) and people will pay more VAT (1) as they have more money to spend (1) on goods. <p>The government should pay out less in social security benefits (1) because there will be fewer unemployed people (1).</p>	12

Question 2

24 Marks

2 (a) (i)	Target: Ability to evaluate the suitability of alternative locations for a business.	
	<p>Level 2 (3-6 marks) The candidate draws on the evidence available to justify the selection</p> <p>He should locate at Site A because he will get more custom here. This is because there are no competitors nearby whereas there are in other parts of the town. Also he may get custom from people entering or leaving the town by any of the three roads that link with the A82. There are no competitors at the industrial site or on the A82 but it is likely that he will only get customers in the day time here.</p> <p>Level 1 (1-2 marks) The candidate can apply knowledge in general terms. He should locate at Site A because he will get more custom here.</p>	6
(ii)	Target: Ability to apply knowledge of the factors influencing location.	
	<p>Level 2 (3-6 marks) States and explains the relevance of the additional information in relation to the context of the question.</p> <ul style="list-style-type: none"> • John should consider how easy it will be for cars to drive on to the different sites because if access is difficult it may reduce the amount of custom he gets. • John will need to know how many people live in the area of each garage because this will influence the amount of business that he gets. <p>Level 1 (1-2 marks) Shows knowledge of the factors that influence location but does not explain them in context.</p> <ul style="list-style-type: none"> • John needs to know how much demand there will be at each of the sites. • John needs to know the cost of renting each of the sites. 	6

2 (b)	Target: to evaluate the appropriateness of different types of business structure referring to the context of the case study business.		
	<p>Level 2 (4-6 marks) Candidate evaluates the choices by reference to the data provided.</p> <ul style="list-style-type: none"> I recommend that he sets up as a sole trader. He only needs to raise £25000 to start the business and he should be able to get this on his own from his savings and a bank loan. He will only make £15000 profit in the first year and this is not very much if he has to share this with a partner. Also the business employs only a small number of people so he should be able to handle the management on his own. <p>Level 1 (1-3 marks) Candidate displays relevant knowledge of the advantages of a business structure but does not base decisions on the relevant information provided.</p> <ul style="list-style-type: none"> I recommend that he becomes a sole trader because it will be easier to set up. <p>Candidates will also be assessed for their Quality of Written Communication on this part of the question, according to the following requirements:</p>		6
	Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	2	2
	Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1	
	Candidate fails to reach the threshold standard in all respects.	0	
(c)	Target: Knowledge of the term unlimited liability.		
	<p>One mark for each point of explanation of the term up to a maximum of 4 marks</p> <ul style="list-style-type: none"> Unlimited liability means that the owner of the business will be responsible for any debts (1) that the business has. If the business goes bankrupt (1) then he may need to sell his private assets (1) as well as the assets of the business (1) if these do not raise enough money (1) to pay off the debts the business has. This arises because in law the owner and the business are the same legal person (1) and so the debts of the business are the debts of the owner (1). 		4

Question 3

31 Marks

3 (a)	Target: Knowledge of the types of market research.	
	<p>One mark for each type of research named and one mark for each point of description or illustration.</p> <ul style="list-style-type: none"> Field research (1) involves collecting primary data (1). Questionnaires (1) and observation (1) are examples of field research methods. Desk research (1) involves using secondary data (1). Desk research such as information in newspapers (1) or government publications (1) are examples of secondary research. 	6
(b)	Target: Ability to apply number skills to a business issue	
(i)	<p>One mark for the correct answer.</p> <ul style="list-style-type: none"> £585,000 	1
(ii)	<p>Two marks for an appropriate method, one mark for the correct answer.</p> <ul style="list-style-type: none"> £5000 (1) / 2 (1) = £2500 (1) 	3
(iii)	<p>One mark for each appropriate point of argument.</p> <ul style="list-style-type: none"> John would do well to achieve a 50% share of the market (1). This is his first year in business (1) and he would expect only to get a foothold in the market (1). It would also depend on how much competition there was (1). 	3
(c)	Target: Ability to evaluate choices about pricing strategies with reference to the case study business.	
	<p>Level 2 (4-6 marks) The candidate justifies choice by reference to the case study context.</p> <p>He should charge a lower price because he is new in business and will need to attract customers to the business. He may raise his prices later on when he has got some loyal customers.</p> <p>Level 1 (1-3 marks) The candidate uses knowledge of the effects of price strategies to justify the choice but the justification does not rest on information about the business context.</p> <p>He should charge a lower price so that he will take customers from other businesses in the area.</p> <p>Candidates will also be assessed for their Quality of Written Communication on this part of the question, according to the following requirements:</p>	6

	Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	2	2
	Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1	
	Candidate fails to reach the threshold standard in all respects.	0	

3 (d)	Target: Ability to evaluate different methods of advertising in the light of the context of the business.	
	<p>Level 2 (3–4 x 2 = 8 marks) The candidate evaluates choice with reference to the context.</p> <ul style="list-style-type: none"> • Word of mouth will not be appropriate because the business has not started and so there are no customers to recommend it to other people. • The local newspaper will be appropriate because the customers for a garage like this are likely to be local people. <p>Level 1 (1–2 x 2 = 4 marks) The candidate uses knowledge to justify choice but this is not based on statements that are likely to be true of the business.</p> <ul style="list-style-type: none"> • Word of mouth will be useful because it will be cheap. The local paper will be useful because it will be cheap. 	8
(e)	Target: Knowledge of the reasons for government restrictions on advertising.	
	<p>One mark for each appropriate reason. (max 2)</p> <ul style="list-style-type: none"> • So that the customer gets accurate (1), honest (1), legal (1) information that does not offend people (1) in the community and does not mislead people into buying products (1) that they do not need/want. 	2

Question 4

24 Marks

4 (a)	Target: Ability to apply knowledge relevant to the recruitment of candidates.	
(i)	<p>One mark for each appropriate skill or quality suggested. (max 4)</p> <ul style="list-style-type: none"> • Punctuality • Reliability • Ability to work with others • Skills of mechanic • Ability to work to deadlines • Communication skills. etc. 	4
(ii)	<p>One mark for each appropriate method of getting information that is suggested. (max 3)</p> <ul style="list-style-type: none"> • Reference from a school • Reference from a previous employer • CV • Letter of application • Application form • Test of mechanical skills. • Interview. etc. 	3
4 (b)	Target: Ability to apply number skills to deal with a business issue.	
	<p>40 x 6 =£240 (1) 5 x 9 =£ 45 (1) 30 x 4 =£120 (1) 500/100 x 10 (1) =£50 (1) Total =£455 (1)</p> <p>NB Allowance to be made for own figures.</p>	6
4 (c)	Target: Ability to evaluate the appropriateness of different methods of motivation to the case study.	
	<p>One mark for each method identified and one mark for each point of analysis /justification to a maximum of 3 per recommended method.</p> <p>For example:</p> <ul style="list-style-type: none"> • Under piece rates a worker is paid for each item that they produce (1). This would make the mechanic work harder because the more cars that he serviced (1) the more money he would take home in pay (1). • A meal out at Christmas would be help to make people feel valued by the firm (1). It would also help them to get on better (1). This should make them want to work harder because they will feel that their efforts are worthwhile (1). 	4 4

(d)	Target: Knowledge of contracts of employment.	
	<p>One mark for each correct statement about Contracts of Employment. (max 3)</p> <ul style="list-style-type: none"> • Name of the firm • Address of the firm • Name of the worker • Hours of work • Details of pay • Job title • Holiday arrangements • Period of notice • Sick pay • Person to contact in the event of grievance • Length of contract • Spaces for signatures and date. 	3

Question 5

16 Marks

5 (a)	Target: Ability to apply number skills to deal with business data.	
	<p>Correct answers in the table are:</p> <ul style="list-style-type: none"> • Total Revenue at 20 units = £4000 (1) • Total Variable costs at 30 units are = £4500 (1) <p>For each line correctly plotted (Total revenue, fixed costs and total costs) – 1 mark each For correct labelling of all lines – 1 mark.</p>	6
5 (b)	Target: Ability to use number skills to interpret and evaluate business data.	
	<p>One mark for each point made.</p> <p>I would recommend that he uses method one. With this method he will earn £1600 per week from services (1) whilst with the second method he will earn £1500 (2) so clearly this will earn more income (1).</p>	4
(c)	Target: Ability to evaluate the appropriateness of different methods of financing an investment.	
	<p>One mark for selecting an appropriate method, up to 5 marks for justification of that method.</p> <ul style="list-style-type: none"> • Bank loan (1). This is appropriate because John needs a lot of money (1) and it will allow him to pay back the money over time (1) as he earns money (1). The bank loan is for a capital asset (1) and banks are usually willing to lend for this purpose (1), because the asset can be sold if the firm cannot repay the loan (1). The firm will have to pay interest (1) on this loan for a fixed period. • Retained profit (1). This will be appropriate because it will save him having to borrow money (1) and paying interest on the loan (1). He will not be able to pay for all the investment with this though (1). Also he will lose interest (1) that he would receive if he left the profit in the bank (1). Also, profit in the bank would be a useful reserve. 	6