

**Oxford Cambridge and RSA Examinations**  
**General Certificate of Secondary Education**

**BUSINESS STUDIES A**  
 FOUNDATION TIER  
 BUSINESS AND CHANGE

**1951/3**

**Specimen Paper 2003**

Additional materials:  
 Candidates answer on the question paper.

**TIME** 1 hour

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

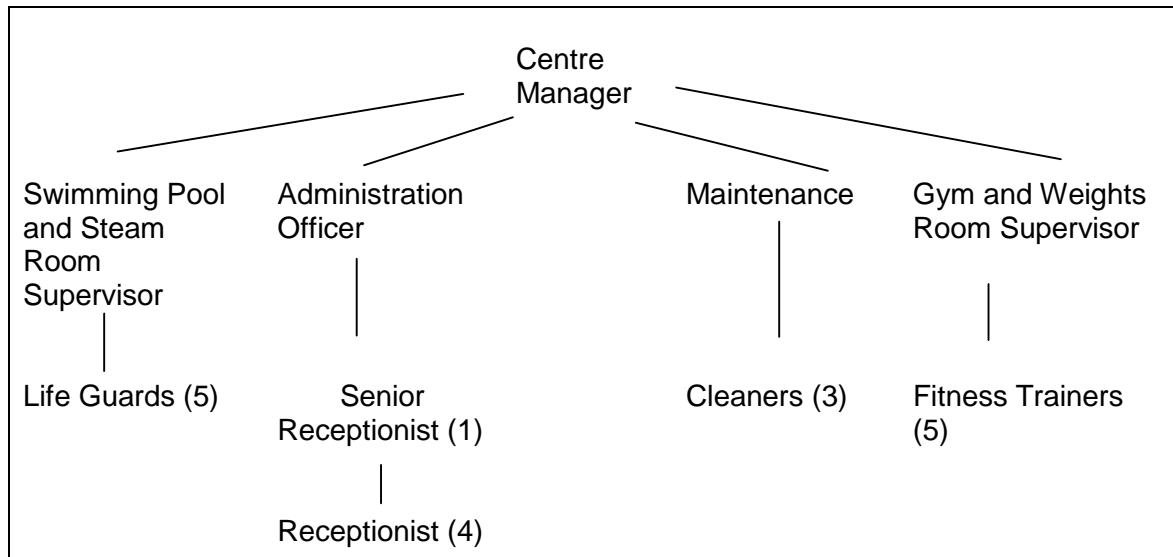
- The number of marks is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is 60.
- The quality of your written communication will be taken into account when marking your answers to questions marked with an asterisk (\*).

Question number	For examiner's use only
<b>1</b>	
<b>2</b>	
<b>TOTAL</b>	

**Question 1**

J W's Health and Fitness Centre is a private limited company owned by a local family. The organisation chart and number of employees of the Health and Fitness Centre is shown below.

**Organisation Chart of J W's Health and Fitness Centre**



**Fig. 1**

**(a)** With reference to Fig. 1 above, answer the following questions.

**(i)** How many layers are there in the Chain of Command between the Administration Officer and the Receptionists?

\_\_\_\_\_

**[1]**

**(ii)** Explain the term Span of Control.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**[2]**

**(iii)** How wide is the Span of Control for the Centre Manger?

\_\_\_\_\_

**[1]**

- (b) The number of members of J W's Health and Fitness Centre has been increasing over the last few years.

Suggest **two** reasons why the number of members might have increased.

1 \_\_\_\_\_

2 \_\_\_\_\_

[2]

- (c) The management of the Health and Fitness Centre has recently had to increase the amount paid to the cleaners. They will now be paid the *national minimum wage* per hour.

- (i) Explain what is meant by the term *national minimum wage*.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[3]

- (ii) Explain why the management may not have wanted to increase the amount paid to the cleaners.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[3]



- (e) J W's Health and Fitness Centre is a private limited company. Choose from the list below, by placing a tick in the box, **two** features of a private limited company.

Feature	✓ Box
Company has limited liability	
Income tax must be paid on profit	
Dividends may be paid to shareholders	
Financial information is private	

[2]

- (f) The Health and Fitness Centre has recently had a new extension built and has purchased some new gym equipment from a company in Germany. The price quoted for the equipment was 300 000DM (Deutschmarks) or €150 000 (Euros).

- (i) Explain why the German company quoted a price in Deutschmarks and Euros.

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[3]

- (ii) The exchange rate is £1 to 3DM or 2€. Advise the company which would be the better currency in which to pay for the goods.

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[3]

**TOTAL MARKS 31**

**Question 2**

Snappy Sandwiches is a well established sandwich bar in a small town. Jenny and Stuart, who own the business as a partnership, would like to expand their business activities but are uncertain how to do this. They are considering the following options:

<b>Option</b>	<b>Business Development</b>
A	Acquiring a rival sandwich business
B	Buying a mobile catering van
C	Merging with a local bakery

- (a) (i) Recommend one of the above options to Jenny and Stuart. Give reasons for your choice.

Option: \_\_\_\_\_

Reasons: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

[4]

- (ii) Explain the difference between a merger and an acquisition.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

[2]

- (iii) Jenny and Stuart have been advised to diversify their business. Suggest a method by which they may diversify their business and explain the advantages and disadvantages of the diversification to the business.

Diversification:

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Advantages:

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Disadvantages:

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[5]

- (b) The abbreviated Trading, Profit and Loss Accounts for Snappy Sandwiches for 1999 and 2000 are printed below.

**Trading, Profit and Loss Accounts for Snappy Sandwiches  
for the periods ending 30 June 1999 and 2000**

	1999 £	2000 £
Sales Revenue	400 000	500 000
Cost of Sales	250 000	300 000
<b>GROSS PROFIT</b>	<b><u>150 000</u></b>	<b><u>200 000</u></b>
<i>less</i> Expenses	25 000	175 000
<b>NET PROFIT</b>	<b><u>25 000</u></b>	<b><u>25 000</u></b>

**Fig. 2**

- (i) Suggest **two** items which might be included under the heading Expenses in Snappy Sandwiches' Profit and Loss Account.

1 \_\_\_\_\_

2 \_\_\_\_\_

[2]

- (ii) Explain what Jenny and Stuart, the partners who own the business, might do with the Net Profit.

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[3]

- (iii) The Net Profit to Sales Ratio for 1999 is 6.25%. Using the following formula, calculate the Net Profit to Sales Ratio for 2000 and use it, together with other information in Fig. 2, to explain why the business has not made much financial progress between 1999 and 2000.

$$\frac{\text{Net Profit}}{\text{Sales Revenue}} \times 100$$

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[5]



(c) Place a tick in the boxes below to show whether each of the statements is true or false.

Statement	True	False
An asset is something which is owned by the business		
A bank overdraft is a long term liability		
The owners of a limited company provide its share capital		

[3]

(d) Snappy Sandwiches is part of the tertiary sector of the economy.

(i) Explain the term tertiary sector and give another example of a tertiary sector business.

Example

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Explanation

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[2]

(ii) Explain why tertiary sector businesses, like Snappy Sandwiches, are usually located near to their customers rather than on the edge of the town. Give reasons for your answer.

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[3]

**TOTAL MARKS 29**



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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

31 Marks

1 (a) (i)	<b>TARGET: Ability to apply the term to the organisation chart.</b>	
	One mark for correct answer. <ul style="list-style-type: none"> <li>• 2 (layers)</li> </ul>	1
(ii)	<b>TARGET: Knowledge and understanding of the term Span of Control.</b>	
	One mark for each point showing knowledge/understanding of the term up to a maximum of 2 marks. (2x1) <ul style="list-style-type: none"> <li>• The number of people working under a manager.</li> <li>• The number of subordinates working directly under a superior.</li> <li>• A narrow span of control may make for more effective management.</li> <li>• The larger the Span of Control the greater the number of problems this may cause.</li> </ul>	2
(iii)	<b>TARGET: Ability to apply the term to the organisation chart.</b>	
	One mark for correct answer. <ul style="list-style-type: none"> <li>• 4</li> </ul>	1
(b)	<b>TARGET: Ability to apply knowledge and understanding of how leisure time and personal disposable income have increased.</b>	
	One mark for each response. Accept any reasonable answer. (2 x 1) <ul style="list-style-type: none"> <li>• People have more money to spend.</li> <li>• The introduction of better facilities at the centre.</li> <li>• More extensive marketing by the centre.</li> <li>• More people have increased amount of leisure time.</li> <li>• People have become more health conscious.</li> </ul>	2
(c) (i)	<b>TARGET: Knowledge and understanding of the term National Minimum Wage.</b>	
	One mark for each point relating to the term showing knowledge/understanding. (3 x 1)  The minimum amount of money (1) an employer should pay to an employee (1). The amount is set by the government (1) by law (1) and applies to people in full and part-time employment (1). The amount is £3.60 (£3.70 from Oct 2000) per hour for those over 21 years(1) and £3(£3.20 from June 2000) per hour for those aged 18 to 21 (1)	3

1	(c) (ii)	<b>TARGET: Ability to apply knowledge and understanding of the term national minimum wage to a business situation.</b>	
		One mark per relevant point. (3x1)  The change would have been forced on the management due to changes in employment legislation (1). This would involve time (1) and inconvenience (1). The costs of the business would rise as a result (1). The management may not have had any difficulty in recruiting cleaners at lower wage rate (1).	3
	(d) (i)	<b>TARGET: Ability to apply and interpret appropriate information in order to complete the calculation.</b>	
		£300 x 1000 = £300 000 (1) £180 x 400 = £72 000 (1) £300 000+ £72 000 = £372 000 (1) Own figure rule applies (3x1)	3
	(ii)	<b>TARGET: Ability to apply and analyse data and evaluate the extent to which the offer will be to the advantage of the two groups listed.</b>	
		<p><b>Level 3 (5-6 marks)</b> The candidate presents a reasoned argument, drawing on the data available, and recognising that there is a clear advantage to <b>both</b> groups involved. Analysis and evaluation of the extent to which the offer is likely to be to the advantage of those whom it affects is provided.</p> <ul style="list-style-type: none"> <li>• The Health and Fitness Centre will have money in the bank in advance of normal payment times.</li> <li>• The centre's overdraft may be reduced.</li> <li>• Other financial commitments may be repaid (earlier).</li> <li>• Interest can be earned on the money in the bank.</li> <li>• The Health and Fitness Centre will not have the problem of members not renewing their annual membership.</li> <li>• Immediate boost to cash flow.</li> <li>• The members will gain a discount of £150 over 3 years by paying early.</li> <li>• Members will be certain of membership over the next 3 years (providing the centre continues to trade).</li> </ul> <p><b>Level 2 (3-4 marks)</b> The candidate presents an argument recognising that there is some advantage to <b>both</b> groups provided by the offer but does not provide a detailed explanation and evaluation of why it is an advantage.</p> <ul style="list-style-type: none"> <li>• The Health and Fitness Centre gets the money in a lump sum.</li> <li>• Membership numbers over 3 years will be certain.</li> <li>• The members get cheaper membership.</li> </ul>	6

	<p><b>Level 1 (1 – 2 marks)</b></p> <p>The candidate recognises the benefit of the offer to one or both groups and offers simple statements in explanation. No attempt is made of explain or analyse the significance of the offer.</p> <ul style="list-style-type: none"> <li>• The members save £150.</li> <li>• The Health and Fitness Centre gets its money in one payment.</li> </ul> <p>Candidates will also be assessed for their quality of their written communication on this part of the question, according to the following criteria.</p>											
	Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	(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)										
		<b>2</b>										
<b>1 (e)</b>	<b>TARGET: Knowledge of the features of a private limited company.</b>											
	One mark for each correct answer. No marks if more than two boxes ticked.	(2x1)										
	<table border="1"> <thead> <tr> <th>Feature</th> <th></th> </tr> </thead> <tbody> <tr> <td>Company has limited liability</td> <td>✓</td> </tr> <tr> <td>Income tax must be paid on profit</td> <td></td> </tr> <tr> <td>Dividends may be paid to shareholders</td> <td>✓</td> </tr> <tr> <td>Financial information is private</td> <td></td> </tr> </tbody> </table>	Feature		Company has limited liability	✓	Income tax must be paid on profit		Dividends may be paid to shareholders	✓	Financial information is private		2
Feature												
Company has limited liability	✓											
Income tax must be paid on profit												
Dividends may be paid to shareholders	✓											
Financial information is private												
<b>(f) (i)</b>	<b>TARGET: Knowledge and understanding of the Single European Currency and that some EU countries will quote prices in national currencies and Euros.</b>											
	One mark for each point showing understanding of why prices may be quoted in two currencies.	(3x1)										
	Germany is a member of the EU (1) and one of the 11 member states which have joined the Single European Currency system (1). Prices quoted in and by these member states are always given in the national currency (1) and Euros (1). The purchaser will have the option of paying in the most convenient currency (1) and pricing policies may be consistent with those of competitors (1). Euros will not replace national currencies until January 2002 (1).	3										
<b>(ii)</b>	<b>TARGET: Ability to apply understanding of exchange rates to a calculation.</b>											
	300 000DM/3DM = £100 000 (1) €150 000/€2 = £75 000 (1) Paying in Euros would be £25 000 cheaper. (1)	(3x1) 3										





(iii)	<b>TARGET: Ability to identify and evaluate the extent to which it may be in the interests of Jenny and Stuart’s business to diversify.</b>	
	<p>One mark for identifying appropriate method of diversification.</p> <p>Advantages One mark per relevant point (max 2) or up to 2 marks for one point if explained.</p> <ul style="list-style-type: none"> <li>• Business not dependent on sale of just sandwiches</li> <li>• Risks spread into other business activities</li> <li>• May help business to grow</li> <li>• Improved prospect of long term survival</li> </ul> <p>Disadvantages One mark per relevant point (max 2) or up to 2 marks for one point if explained.</p> <ul style="list-style-type: none"> <li>• May involve considerable cost</li> <li>• Little or no understanding of the new business activity</li> <li>• Diseconomies of scale may occur</li> <li>• Existing business may be neglected</li> </ul>	5
2 (b) (i)	<b>TARGET: Ability to apply knowledge and understanding about types of expenses likely to be incurred by the business in the question.</b>	
	<p>One mark for each response. Accept any reasonable answer relevant to a sandwich business which would be charged to the Profit and Loss Account. E.g.</p> <ul style="list-style-type: none"> <li>• Wages</li> <li>• Phone calls</li> <li>• Business rates</li> <li>• Heat, light, power</li> <li>• Insurance</li> </ul>	(2x1)  2
(ii)	<b>TARGET: Ability to apply knowledge and understanding of the uses to which profit, made by a partnership, can be put.</b>	
	<p>One mark per relevant point.</p> <p>Jenny and Stuart could pay some or all (1) of the profit to themselves (1) in the form of drawings (1). Profit may be kept by the business (1) used to pay (income) tax (1) or to buy new equipment etc (1). (3 x 1)</p> <p>Payment of dividends is <b>not</b> an acceptable answer.</p>	3

(iii)	<b>TARGET: Ability to analyse and evaluate information from the data provided and make reasoned judgements about the financial performance of the business.</b>													
	<p><b>Level 2 (3-5 marks)</b> Candidate correctly calculates Net Profit to Sales Ratio and identifies and explains reasons why Net Profit to Sales has fallen.</p> <ul style="list-style-type: none"> <li>• Net Profit to Sales Ratio for 2000 is 5%</li> <li>• Sales revenue has increased 25% or by £100 000</li> <li>• Cost of Sales has increased by 20% or £50 000</li> <li>• Gross profit has increased by 33.33% or £50 000</li> <li>• Expenses have increased by 40% or £50 000</li> <li>• Expenses are rising faster than increase in Sales Revenue hence Net Profit to Sale Ratio has fallen</li> <li>• The business is not performing as well in 2000 as it did in 1999</li> </ul> <p><b>Level 1 (1-2 marks)</b> Candidate identifies some relevant figures but does not explain fully the reasons why profit remains constant despite an increase in Sales Revenue.</p> <ul style="list-style-type: none"> <li>• Net Profit remains constant</li> <li>• Sales Revenue has increased</li> <li>• Expenses has increased</li> <li>• Gross Profit has increased</li> </ul>	5												
(c)	<b>TARGET: Knowledge of different types of asset, liability and capital.</b>													
	<p>One mark per correct answer. If both True and False box ticked for one statement award no marks. (3x1)</p> <table border="1" data-bbox="395 1352 1307 1579" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Statement</th> <th style="text-align: center;">True</th> <th style="text-align: center;">False</th> </tr> </thead> <tbody> <tr> <td>An asset is something which is owned by the business</td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td>A Bank overdraft is a long term liability</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>The owners of a limited company provide its share capital</td> <td style="text-align: center;">✓</td> <td></td> </tr> </tbody> </table>	Statement	True	False	An asset is something which is owned by the business	✓		A Bank overdraft is a long term liability		✓	The owners of a limited company provide its share capital	✓		3
Statement	True	False												
An asset is something which is owned by the business	✓													
A Bank overdraft is a long term liability		✓												
The owners of a limited company provide its share capital	✓													
(d) (i)	<b>TARGET: Knowledge and understanding of the term tertiary sector.</b>													
	<p>One mark for statement and one mark for appropriate example. (2x1)</p> <ul style="list-style-type: none"> <li>• That part of an economy concerned with the provision of services</li> <li>• Hairdressing; retailing; etc Accept any reasonable answer.</li> </ul>	2												

(ii)	<b>TARGET: Ability to analyse why tertiary sector activities are usually located near to the market they serve. Evaluate why businesses like Snappy Sandwiches are located near to customers.</b>	
	<p>One mark per relevant point. (3x1)</p> <p>There is normally a lot of competition (1) in the service sector of the economy (1). Customers generally expect not to have to go too far to obtain the services they need (1). A good location is essential if service sector businesses are to survive (1). No or little transportation of product or service is needed (1) therefore helping to reduce costs (1).</p>	3

