

Oxford Cambridge and RSA Examinations

General Certificate of Secondary Education

BUSINESS STUDIES A FOUNDATION TIER CASE STUDY PAPER

1951/7 (CS)

Specimen Paper 2003

Additional materials: Pre-released Case Study material (1951/7 and 8 (CS)) Candidates answer on the question paper.

TIME 1 hour 30 minutes

Candidate Name	Centre Number	Candidate Number

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

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	
5	
6	
TOTAL	

Use the information contained in the case study and Resource Sheet 3 to answer the following questions.

-	
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_	
p	Explain the advantages to Tate plc of being a public limited company rather than a partnership.
T	Tate plc is classified as a secondary business.
E	Explain why it is a secondary business.

[3]

	akeholder 1
R	eason for interest
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St	akeholder 2
R	eason for interest
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Use Resource Sheet 2 and other information in the case study to answer the following questions.

One of the site managers, Pete Spears, is becoming dissatisfied with his job and is threatening to leave. He has been with the company for the last 10 years and Roger Brand relies on him.	
Explain what actions Roger Brand might take to keep Pete Spears in the company.	
Tate plc's full time workers employed on the building sites could be paid by the hour or on piece rates.	
Which method of payment do you think would be more suitable? Give reasons for your answer.	
Choice	
Reasons	

[4]

Use the information in the case study and Resource Sheet 1 to answer the following questions.

(a) House building on the Greenend site begins in May 2002.

Explain how the following economies of scale may be achieved on the Greenend site.

Economies of Scale	Explanation
Purchasing economies	
Labour economies	

[4]

*(b) James Tate is responsible for any marketing and promotion the company undertakes.

Show how the following elements of the marketing mix might be used to sell the new houses on the Greenend site.

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; 	
	[10
Tate plc have made an offer for the Wharfend site.	
(i) Explain why Tate plc is keen to buy the Wharfend site.	

(ii)	Explain why some people will be pleased to see the Wharfend site being developed whilst others may be concerned about the development.
	[7

Use Resource Sheet 5 to answer the following questions.

a) (i)	Calculate the forecasted total revenue from the sale of houses for the 6 months from January to June 2002. Show your working.	
		_
		_
(ii)	In which month will the company have the highest wage bill?	_
(iii)	Give two examples of other expenses a company like Tate plc might have.	
	1	
		[
o) Exp	plain what has happened to the company's cash flow position in May.	
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8

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li tl	f the company were to sell an additional house for £70 000 in June 2002, how would his affect the cash flow position of the company? Show your working in detail.
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Use Resource Sheets 3 and 4 and any other information in the case study to answer the following questions.

(a)	(i)	By how much have the Net Assets Employed increased between 2000 and 2001? Show your working.	
	(ii)	Explain why stock and materials is such a large proportion of current assets.	 [2]
	(iii)	Comment on the relationship between current assets and current liabilities in 2001.	 [2]
(b)	(i)	By how much has sales revenue increased between 1999 and 2001? Show	 [2
(D)	()	your working.	_
	(ii)	Comment on the changes in retained profit as shown in the Profit and Loss Account between 1999 and 2001.	[2 <u>]</u> —

[4]

farmyards around Holtford.

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

James Tate is keen to change the business and to develop redundant barns and

*(i)	Describe the advantages and disadvantages of this project for Tate plc. Mention in your answer any other information you would require before deciding whether or not				
	to go ahead with the project.				

[10 + 2]

	ne Board of Directors decides to go ahead with this project, it will need to obtain a finance.
Red	commend a financial package to the Directors. Give reasons for your commendations.
rec	ommendations.
-	



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BUSINESS STUDIES AFOUNDATION TIER
CASE STUDY PAPER

1951/7

MARK SCHEME

Specimen Paper 2003

General advice to Assistant Examiners on the procedures to be used

- 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 24 marks No marks should be awarded for knowledge and understanding in the following answers

1 (a)	Target: to apply knowledge and understanding and analyse the importance of business objectives to the case study.	
	Any one reason explained x up to 3 marks or 3 points x 1 mark such as:	
	It is the main reason for Tate plc's existence and if no profits were made, there would be little incentive to carry on the business. From profit, expansion is funded and dividends are paid.	
	Any other relevant reason.	3
(b)	Target: to apply and interpret information on business organisation to Tate plc.	
	Any two advantages explained x up to 2 marks such as -	
	The shareholders of Tate plc would have limited liability and so they would lose only their investment if the company went into liquidation. More capital might be available to Tate plc through additional shareholders. Tate plc is a legal entity and so can sue and be sued and make	
	contracts in its own name rather than in the name of James Tate. Any other relevant advantage.	4
(c)	Target: to apply information and to evaluate that information in relation to classifications of occupation.	
	Any one reason explained x 3 marks such as -	
	because Tate plc constructs buildings and secondary industry includes construction and manufacturing.	3

1 (d)	Target: to apply knowledge and understanding, select, analyse and evaluate information concerning stakeholders.		
	Possible stakeholders x 1 mark each such as -		
	employees, managers, directors, government, competitors, lenders, sub-contractors.	2	
	Reasons for interest x 4 marks each (2 x 2) for some stakeholders such as -		
	Employees -to make sure their jobs are safeguarded as a way of achieving job satisfaction -to examine the profits to see if wage demands may be worthwhile.		
	Lenders -to make sure that loans can be repaid to decide on future borrowing Tate plc may require.	8	
(e)	Target: to analyse evaluate and make reasoned judgements concerning the successor to James Tate and qualities of leadership.		
	Choice 0 marks.		
	Arguments for Roger Brand He is quick witted and has the brain power to run the company. He is liked by the workforce. He is concerned with the actual work of the company.		
	Arguments against Roger Brand He is autocratic from the family's point of view, he is non-family.		
	Arguments for Pamela Tate She is well-organised. She is a member of the family. She has been innovative since joining the company.		
	Arguments against Pamela Tate She may not have been in the company as long as Roger Brand. She does not have the hands-on experience of the work of the company.		
	Any other relevant argument.	4	

Question 2 10 marks

(a)	Target: to apply knowledge and understanding, analyse and interpret that knowledge to motivating staff in Tate plc.	
	Any actions x up to 3 marks each such as:	
	offer a pay rise to Pete Spears- perhaps linked with bonuses or profit sharing;	
	offer promotion - make him senior site manager with responsibility for overseeing all sites;	
	offer him training - supervisory or managerial training with a view to promotion especially if Roger Brand succeeds James Tate.	
	Any other relevant action.	6
(b)	Target: to analyse and evaluate pay systems as they apply to Tate plc.	
	Choice 0 marks.	
	Any four points which could relate to one payment system or to both such as:	
	by the hour likely to be a set period of work during the day and any time over that would be overtime, especially in summer peak periods; easy to calculate and regulate using new computerised systems in the office;	
	more likely to produce quality work without rushing - important when building - better workmanship e.g. bricklaying; no incentive to work as hard as possible.	
	piece rates incentive to work hard as the more produced the more is earned, e.g. bricklaying; difficult to measure and monitor building workers; doing many different jobs, e.g. proofing, painting, carpentry, plumbing;	4
	may make mistakes or cut corners to earn more - poor quality building work.	

Question 3 26 marks

3 (a)	Target: to apply knowledge and understanding, analyse information relating to economies of scale and the case study.	
	Purchasing economies - any two points x 1 mark each or one point well explained x 2 marks such as -	
	Building a large number of houses so materials may be bought in bulk so obtaining discounts.	
	Labour economies - builders working on many houses so they should not have to wait while others finish work but can move from house to house so saving wage costs.	
	May be advantageous to sub-contract work when you need it so saving money on full-time employees.	
	Any other relevant point.	4

3 (b)	Target: to apply knowledge, analyse information and make judgement as to the best way to promote the product i.e. Greenend houses.		
	Promotion Any five points x 1 mark each or 2 points explained such as -		
	Prepare leaflets and brochures so that potential buyers can redetailed information. Make a deal with a firm of estate agents to promote the house Offer exchange deals and help with mortgages to potential but	es.	
	Product Any five points x 1 mark each or 2 points well Explained such	as -	
	Equip a show house so potential buyers may see what the houses look like when furnished. Have a range of options for buyers - choice of bathrooms, decorating colours, choice of kitchens. Make sure that the houses are built to the highest specification.		
	Any other relevant point.		
	Candidates will also be assessed for their Quality of Written Communication on this part of the question, according to the following requirements:		10
	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	2

3 (c)	Target: to apply knowledge and understanding and select and analyse in the case relating to the possible purchase of the Wharfend site.	
(i)	Any reasoned argument up to 3 marks or 3 points x 1 mark each such as:-	
	May have no other major work to follow the Greenend site. Has the financial potential to buy the site. Needs an opportunity to develop its other line of business, i.e. factory units. The site is not too far from Holtford.	
	Any other relevant reason.	3
(ii)	Level 3 (5-7 marks) Has given a reasoned explanation of why some people are pleased about the Wharfend development and others are concerned.	
	Level 2 (3-4 marks) Has identified some reasons for pleasure and/or concern about the Wharfend site but has offered superficial explanation.	
	Level 1 (1-2 marks) Has identified some reasons for pleasure and/or concern about the Wharfend site but has offered no explanation.	
	Points to include: May have been derelict and so would make the area more attractive. May provide employment in the factory units and for subcontractors. May provide much needed housing - there may be few flats available in Wharfside.	
	The factories may bring noise and other pollution to the town. The flats and factories may add to the traffic in the town. The development may not fit in with the local surroundings.	7

Question 4 22 marks

4	(a)		Target: to apply, select, analyse and organise information given i the case study relating to the cash flow forecast.	n
		(i)	£100 + 50 + 80 + 100 + 150 + 250 (1 mark) = £730 000	2
		(ii)	June	1
		(iii)	Any two examples x 1 mark each such as - advertising, telephone, office expenses, stationery.	2
	(b)		Target: to analyse and make judgements about the cash flow position of Tate plc.	
			Points to include -	
			Tate plc has total receipts of £240 000 It has total payments of £270 000 It therefore has a net cash flow of -£30 000 meaning that payments exceed receipts for that month As April had a negative net cash flow of £10 000, the closing bank balance shows an overdraft of £40 000 and if this continues, the company will have cash flow problems.	
		Level 2 (4-6 marks) Has identified the negative cash flow by mentioning some of the points above and has commented on the need for monitoring the flow of cash and taking remedial action if necessary.		
			Level 1 (1-3 marks) Has identified some of the points mentioned above such as payments and receipts and the negative cash flow but has not made any judgement about potential difficulties. Candidates will also be assessed for their Quality of Written Communication on this part of the question, according to the	
			following requirements:	
			Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	
			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.	
			Candidate fails to reach the threshold standard in all respects.	2

4 (c)	Target: to evaluate the cash flow forecast from the Financial Director's point of view.	
	Award marks for reasons (1 mark per point or 2 marks for a well explained point) rather than for whether he is worried or not.	
	The Cash Flow Forecast shows a steadily decreasing bank balance from January to May as Payments exceed Receipts in each of these months - this is worrying.	
	In June, however, when more houses are forecasted to be sold, the situation looks better with a closing bank balance of £17 000. This is a reason for optimism but the trend will have to continue.	
	The cash flow position hinges on whether or not houses will be sold and how quickly they will be sold.	
	Any other relevant point.	4
4 (d)	Target: to select and analyse information from the case to recalculate the Cash Flow Forecast for June.	
	Sale of houses 250 + 70 = 320 1 mark Income from other work 100	
	Total cash in 420 1 mark	
	Total cash out 293	
	Net cash flow 127 1 mark	
	Opening bank balance -40 Closing bank balance 87 2 marks	
	£87 000	
	OFR applies NB if a candidate gives the answer as £87 000 without showing the working of the Cash Flow Forecast, award 2 marks only.	
	If a candidate works without £000s added to the answer, please award the marks.	5

Question 5 12 marks

5 (a)		Target: to select, analyse and evaluate information given in the accounts.	
	(i)	£3 950 000 - £2 480 000 (1 mark) = £1 470 000	2
	(ii)	Any reason explained x 2 marks such as -	
		The business relies on stock and materials to build houses and factories and so must have sufficient available to use as soon as needed. The business may have bought in bulk to obtain discounts.	2
		Any other relevant point.	
	(iii)	Any comment x 2 marks such as -	
		current assets total £1 500 000 } current liabilities total £1 000 000 } 1 mark so the company has a ratio of 1.5:1 which is satisfactory and working capital of £500 000	2
(b)		Target: to analyse information given in the accounts.	
	(i)	£6 500 000 - £3 800 000 (1 mark) = £2 700 000	2
	(ii)	Any four points x 1 mark each such as - retained profits have increased by £550 000, i.e. 157% approx. This may be because of increased sales revenue because cost of sales is less in proportion to the increase in revenue.	
		Any other relevant point.	4

Question 6 26 marks No marks should be awarded for knowledge and understanding in the following answers.

6 (a) (i)	Target: to apply knowledge and understanding, to analyse interpret and evaluate information given in the case study to the business decision about developing the business.		
	Advantages		
	The barns and farmyards are available and other sites are not readily available. The barns and farmyards are located around and close to Holtt other building land may not be. It would mean diversification for the company so that it has add enterprises - spreading risk.	ford,	
	<u>Disadvantages</u>		
	Tate plc may not have the expertise to do this work. They may not obtain planning permission. They may not be able to make sufficient profit as they may hav too much for the sites. They may have to obtain additional finance as they already hav money tied up in the Greenend development.		
	Other factors		
	The views of local people about such developments. Government restrictions on such developments. The views of his co-directors. How this work will fit with the present work of the company and Greenend development. Is it possible if the company obtains the Wharfside site?	the	
	Level 3 (7-10 marks) Has fully described the advantages and disadvantages of deverthe business and has shown clearly other factors which need to taken into consideration.		
	Level 2 (4-6 marks) Has described the advantages and disadvantages of developing business with or without some factors which need to be taken it consideration.	•	
	Level 1 (1-3 marks) Has stated some advantages and/ or disadvantages of develop business.	oing the	
	Candidates will also be assessed for their quality of their written communication on this part of the question, according to the fol criteria.		10
	Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar. Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling,	(1)	2
	punctuation and grammar, but these do not obscure the meaning of the answer. Candidate fails to reach the threshold standard in all respects.	(0)	
	Candidate fails to reach the threshold standard in all respects.	(0)	

6	(a)	(ii)	Choice 0 marks	
			Any one reasoned argument up to 4 marks such as -	
			(Allow repeated points from (i)) Would enable the company to expand with individual small developments so not too great a risk at one time.	
			As James Tate is retiring, it may not be a development.	
			The other directors would want - delay a decision for a year.	
			Any other relevant reason.	4

(b)	Target: to select, interpret and analyse information on sour finance for Tate plc and evaluate reasons for choice.	ces of	
	Level 4 (7-8 marks) Has provided a detailed and appropriate range of sources of fina The reasons for each recommendation are considered in detail.	ance.	
	Level 3 (5-6 marks) Appropriate package of finance provided. The reasons are deta some sources but limited for others.	iled for	
	Level 2 (3-4 marks) Limited range of appropriate sources of finance provided. Some consideration of reasons for recommendation.)	
	Level 1 (1-2 marks) Limited range of sources of finance provided. No reasons given all sources of finance may be appropriate.	. Not	
	Possible choices of finance:		
	Increase bank loan - already has loan facilities which have decreased over the past year. May be easy to agree with the bank. Increase overdraft limit - will need finance for cash flow purpose as paying company wage bill, paying for building supplies, easy access. Use reserves and retained profits - no interest has to be paid, do have to be paid back but may be needed for other purposes, sur land purchase. Look at fixed assets - sell any that are not needed e.g. small plo land.	s, such	
	Invite another shareholder to make an investment and join the b does not have to be repaid, may strengthen the board. Mortgage the company-owned buildings - may be risky as may be them if financial difficulty. May not be able to do this as may alrest secured to the bank. Explore a joint venture with another building company - the nation company rumoured to be interested in Tate plc. Might be interested in this but this could be risky and be the prel them taking over Tate plc.	ose eady be onal	
	Candidates will also be assessed for their quality of their written communication on this part of the question, according to the following criteria.		8
	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)	