

Candidate Name	Centre Number	Candidate Number



OXFORD CAMBRIDGE AND RSA EXAMINATIONS
General Certificate of Secondary Education

BUSINESS STUDIES A

1951/4

OPTION: BUSINESS AND CHANGE

PAPER 4 HIGHER TIER

Tuesday **21 JUNE 2005** Afternoon 1 hour

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

TIME 1 hour

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces at the top of this page.

Answer **all** questions.

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.

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 answer to the question labelled with an asterisk (*).

FOR EXAMINER'S USE	
Question 1	
Question 2	
TOTAL	

This question paper consists of 10 printed pages and 2 lined pages.

1 Selleck's Shades sells designer sunglasses. This successful business is run as a partnership, owned by Richard and Robert Selleck.

(a) (i) Selleck's Shades benefited from financial help from the government when Richard and Robert set up their shop. State one form of financial help offered to businesses by the government.

_____ [1]

(ii) Explain one advantage and one disadvantage to Richard and Robert of running Selleck's Shades as a partnership.

Advantage _____

Disadvantage _____

_____ [4]

(b) (i) Richard and Robert want to expand the business by opening another shop in the local area. State and explain two factors they need to consider before deciding where to locate their new shop.

Factor 1 _____

Factor 2 _____

_____ [4]

- (ii) State and explain **two** social benefits to the local community of Richard and Robert opening a new shop.

Social benefit 1 _____

Social benefit 2 _____

[4]

- (c) Richard suggests to Robert that instead of expanding the business by opening another shop, they should consider a merger with their main high street rival, Funky Frames.

- (i) Identify the type of merger Richard is suggesting.

_____ [1]

- (ii) Advise Robert whether or not he should agree to a merger with Funky Frames. In your answer you should explain the advantages and disadvantages to Selleck's Shades of a merger with Funky Frames.

[8]

**An image of a
computer has been
removed due to
third party
copyright
restrictions**

2 O'Keefe Ltd makes and sells computers. The major shareholders in the company are the founders Mary O'Keefe and Craig Price.

(a) Craig has suggested to Mary that the company should change its ownership from a private limited company to a public limited company. Mary does not agree.

(i) Explain one reason why Craig might want to change the business ownership from a private limited company to a public limited company.

[2]

(ii) Explain one reason why Mary might not want to change the business ownership from a private limited company to a public limited company.

[2]

(b) Fig. 3 shows the internal organisation structure of O'Keefe Ltd.

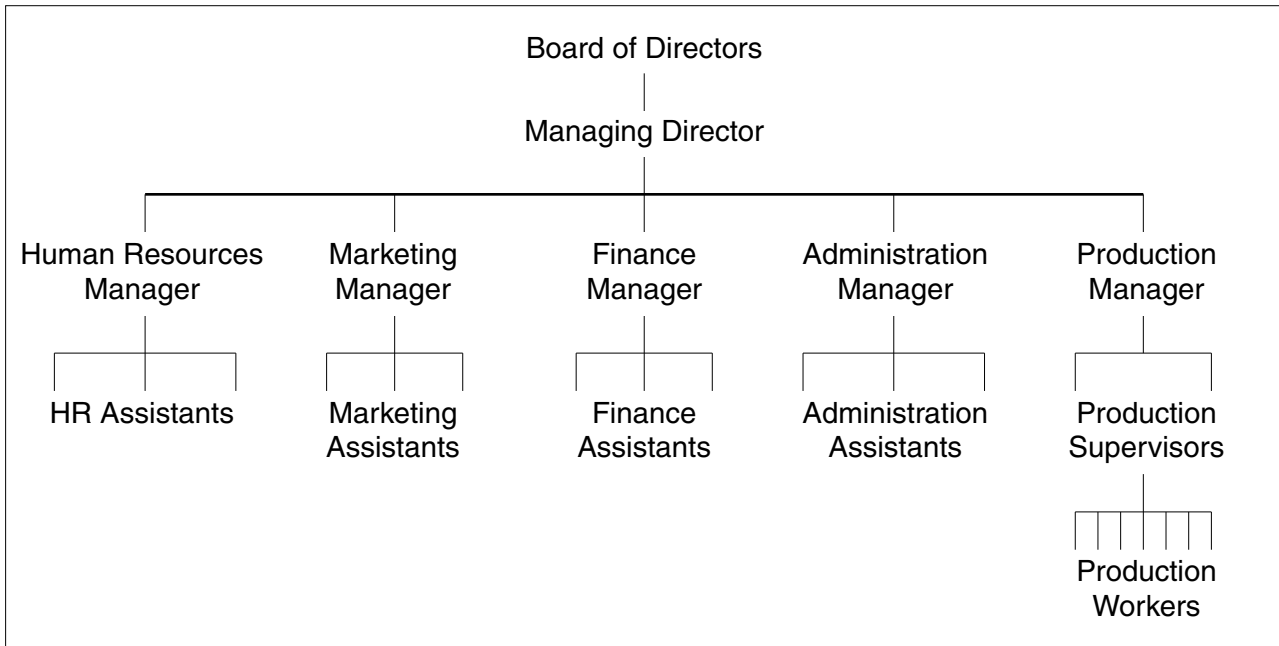


Fig. 3

(i) Describe the main features of the organisation structure of O'Keefe Ltd.

[4]

(ii) Explain **one** problem employees of O'Keefe Ltd may have working within the organisation structure.

[2]

- (c) O'Keefe Ltd has received a large order from the USA. It is said that the USA has a market economy.

Explain what is meant by the term market economy.

[3]

- (d) Before accepting the order from the USA, the Finance Manager produced a cash flow forecast to see how money would flow into and out of the business if the order were to be accepted.

O'Keefe Ltd cash flow forecast for April, May, June and July 2006

	April £	May £	June £	July £
Income				
UK Sales	200,000	200,000	200,000	200,000
USA Sales	0	0	0	750,000
Total Income	200,000	200,000	200,000	950,000
Expenditure				
Materials	90,000	90,000	360,000	90,000
Wages	95,000	95,000	320,000	95,000
Transport	10,000	10,000	50,000	10,000
Administration	5,000	5,000	10,000	5,000
Electricity	5,000	5,000	20,000	5,000
Marketing	5,000	5,000	5,000	5,000
Total Expenditure	210,000	210,000	765,000	210,000
Net Cash Flow	-10,000	-10,000	-565,000	740,000
Opening Balance	-50,000	-60,000	-70,000	-635,000
Closing Balance	-60,000	-70,000	-635,000	105,000

Fig. 4

- (i) Use Fig. 4 to discuss whether O'Keefe Ltd should accept the order from the USA. You should make reference to the advantages and disadvantages of accepting the order from the USA in your answer.

[5]

- (ii) Table 1 below shows the forecast costs for April 2005 and how much the business actually spent on these costs.

Table 1

	Forecast £	Actual £	Difference £
Materials	90,000	140,000	+50,000
Wages	95,000	150,000	+55,000
Transport	10,000	18,000	+8,000

Explain how Table 1 will affect the cash flow for O'Keefe Ltd. Suggest and justify what action the business should take.

[6]

(e) Read the following headlines from national newspapers and answer the question that follows.

Headline 1

President of the USA orders American firms to only trade with American businesses!

Headline 2

UK interest rates to remain low

Headline 3

Computer prices fall by 2% compared to last year!

Evaluate the possible effects on the sales of O'Keefe Ltd of the headlines above.

In your answer, you should explain why one headline might have a greater effect on sales than the other headlines.

[6]

[Total : 30 Marks]

