

OXFORD CAMBRIDGE AND RSA EXAMINATIONS General Certificate of Secondary Education

BUSINESS STUDIES A

1951/2

PAPER 2 (Common Core) HIGHER TIER

Thursday 15 JUNE 2006

Afternoon

1 hour 45 minutes

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

TIME 1 hour 45 minutes

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.

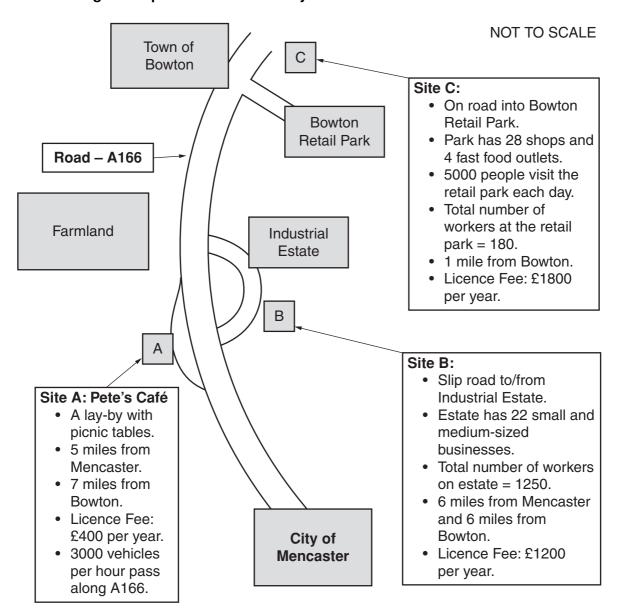
The total number of marks for this paper is 120.

The quality of your written communication will be taken into account when marking your answers to questions marked with an asterisk (*).

FOR EXAM	INER'S USE
Question 1	
Question 2	
Question 3	
Question 4	
Question 5	
TOTAL	

- 1 Peter Miller started a business called 'Pete's Café' in 2003. He sells drinks and snacks from a trailer parked by the roadside. Fig. 1 below gives information about:
 - each of the sites he could have used for his business;
 - the licence fee he would have to pay the local Bowton Council for using each site;
 - the amount of traffic that passes by;
 - business activity in the area.

Fig. 1 - Map of Moorshire County between Mencaster and Bowton.



(a)	Peter chose to locate the trailer at Site A on the map rather than either Site B or Site C. Using the information in Fig. 1, discuss whether or not Peter chose the best site.
	[6]
(b)	Sites A, B and C on Fig. 1 are owned by Bowton Council. The objective of the Council is to provide services for people in the local community. State two services that Bowton Council may provide.
	Service 1
	Service 2[2]
(c)	State and explain two objectives that Peter may have had in his first year of business.
	Objective One
	Objective Two
	[4]

(d) (i	i)	There are three sectors in an economy – primary, secondary and tertiary. Using Fig. 1, state \bf{one} activity shown for each sector.
		Primary
		Secondary
		Tertiary[3]
(ii	i)	In Moorshire, over the past 15 years, employment in the secondary sector has decreased whilst employment in the tertiary sector has grown. Explain why these changes might have taken place.
		[6]
		[Total : 21 marks]

1951/2 Jun06

2 (a) In his second financial year, 2004, Peter recorded the following information about sales and the cost of goods sold.

Table 1 – Pete's Café – Sales and Cost of Goods Sold Information Year to 30 December 2004

Sales Information Cost of Goods Sold Information Number of sales = 25000Average price of each sale = £4.00

Stock at the start of the year = £ 4000

Purchases during the year = £58000Stock at end of year = £ 2000

(i)	Using the information in Table 1, calculate the gross profit for the year 2004. Show your working.

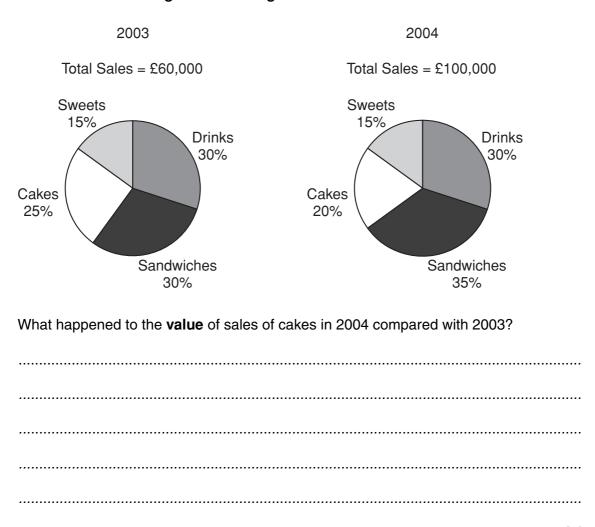
.....[6]

[Turn over 1951/2 Jun06

I)	State and explain three ways in which Peter could have increased his sales at Site A.
	Way One
	Explanation
	Way Two
	Explanation
	Way Three
	Explanation
	[6]

(b) Fig. 2 below shows the percentages of total sales of different types of products sold by Peter in 2003 and 2004.

Fig. 2 - Percentages of Total Sales



1951/2 Jun06 [Turn over

(c) At the end of 2005, Peter collected the financial information in Table 2 below to evaluate the performance of his business.

Table 2 – Financial information relevant to Pete's Café.

2004 Figures		2005 Figures	
Turnover	£100000	Turnover	£140000
Net Profit	£ 20000	Net Profit	£ 35000
Capital Employed	£ 60000	Capital Employed	£ 70000

Other relevant information

- ✓ Peter would receive 8% interest if he left his money in the bank.
- ✓ A friend who has run a similar road-side café for 5 years achieved a 40% return on capital employed in 2005.
- ✓ ROCE = Net Profit/Capital Employed
- ✓ Net Profit Margin = Net Profit/Sales Turnover

Using the information in Table 2, evaluate how well the business performed in 2005.
[10]
[10]

[Total: 26 marks]

3 (a) In June 2006, Peter will open a sandwich bar called Pete's Pantry, in the town of Bowton. He may open it as a sole trader or he may open it as a partnership with a friend, Rosie. He plans to use three of the methods of finance shown in Table 3 below to start up the business.

Table 3 – Possible Methods of Finance – Pete's Pantry

Methods of Finance

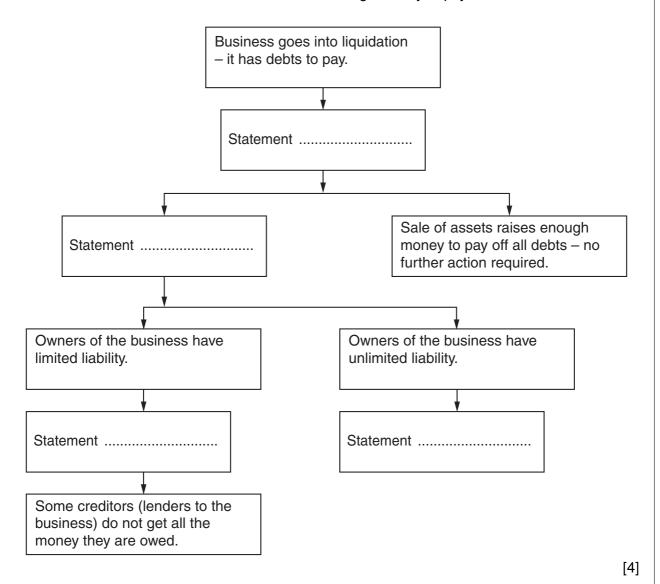
Trade credit Debentures Leasing Share issue Mortgage

From Table 3, recommend **one** method of finance Peter should use for each of the items listed below. Give reasons for your recommendations.

Purchase of the premises – Cost £120 000	
Method of Finance	

Reasons for recommendation
Stock Coot S5000
Stock - Cost £5000
Method of Finance
Reasons for recommendation
Van – cost £15 000
Method of Finance
Reasons for recommendation

- (b) (i) The flow chart below explains the stages a business will go through if it goes into liquidation. Four stages are missing. Using statements A–D, complete the flow chart by writing the letter for each statement in the correct box.
 - A. Owners lose the money they have invested but no more.
 - B. Owners must sell their private possessions to repay debts.
 - C. The business now sells its assets.
 - D. Sale of assets does not raise enough money to pay off all debts.



(ii) If Peter becomes a partner with Rosie, would he have limited or unlimited liability?

.....[1]

[8+2]
If Peter and Rosie set up Pete's Pantry as a partnership, should they draw up a Deed of Partnership? Give reasons for your recommendation.

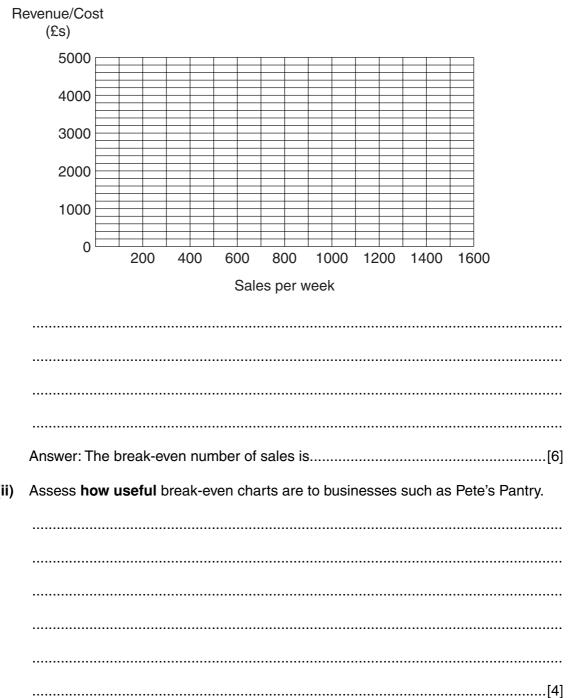
[lotal:31 marks]

4 (a) Table 4 shows the forecast cost and revenue per week for 2006 for Pete's Pantry.

Table 4 – Forecast Cost and Revenue for Pete's Pantry – 2006

Pete's Pantry – Forecast Cost a	and Revenue per week
Average price per sale	£
Total fixed cost per week Variable cost per sale	1000 3

(i) State the number of sales per week that Pete's Pantry would need to make to breakeven. You may use the squared section of paper to draw a graph. Alternatively you may use the lined section for your calculations. Show your working.



,	erson. Justify your answer.
•	

[Total : 24 marks]

5 (a) Peter and Rosie have designed the following advertisement.

Pete's Pantry - Opening June 30th

Delicious Sandwiches

Ham - Tuna - Egg - Prawn (and many more)

Cakes and biscuits

Drinks

21 High Street, Bowton Telephone: 01222 - 234234

Peter and Rosie have a limited amount of money to spend on advertising the sandwich bar.

(i)	Identify two suitable advertising media they could use.	
	1	
	2	.[2]
(ii)	Which of these two media would you recommend? Give reasons for your recommendation.	
	Choice	•••••
	Reasons	•••••
		• ••••
		[1]

(b)	Peter and Rosie are considering offering a delivery service from the sandwich bar to local offices and shops. Explain one advantage and one disadvantage to Peter and Rosie of providing this service.
	Advantage
	Disadvantage
	[4]
(c)	The following is an extract from an article that appeared in the Bowton Gazette in early 2006.
	INFLATION SET TO RISE
	Economists have forecast that inflation will rise to 4% in the coming year. Whilst food prices are forecast to remain largely unchanged, wages and interest rates are both predicted to increase.
	Discuss how the changes predicted in the article might affect Pete's Pantry.
	[8]
	[O]

[Total: 18 marks]

must be clearly shown.				

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