

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

20 JUNE 2006

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 answers to questions labelled with an asterisk (*).

You may use an approved calculator.

FOR EXAMINER'S USE	
Question 1	
Question 2	
TOTAL	

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

1 Healthy Salmon plc is a public limited company which breeds salmon to sell to supermarkets.

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

(a) (i) Choosing from the list below, tick two boxes to correctly identify two features of a public limited company.

Features	Tick two boxes
A company which has the letters plc after its name.	
A company which has only one owner.	
A company which splits its profits between each partner.	
A company which has the letters Ltd after its name.	
A company whose shares are sold on the stock exchange.	

[2]

(ii) All limited companies have to produce financial documents such as a Trading, Profit and Loss Account. Explain how Trading, Profit and Loss Account information can indicate the success of a business such as Healthy Salmon plc.

[2]

(b) Healthy Salmon plc is in the primary sector, which includes farming and fishing. Fig. 1 below shows the change in the level of employment in the primary sector between 1971 and 2003.

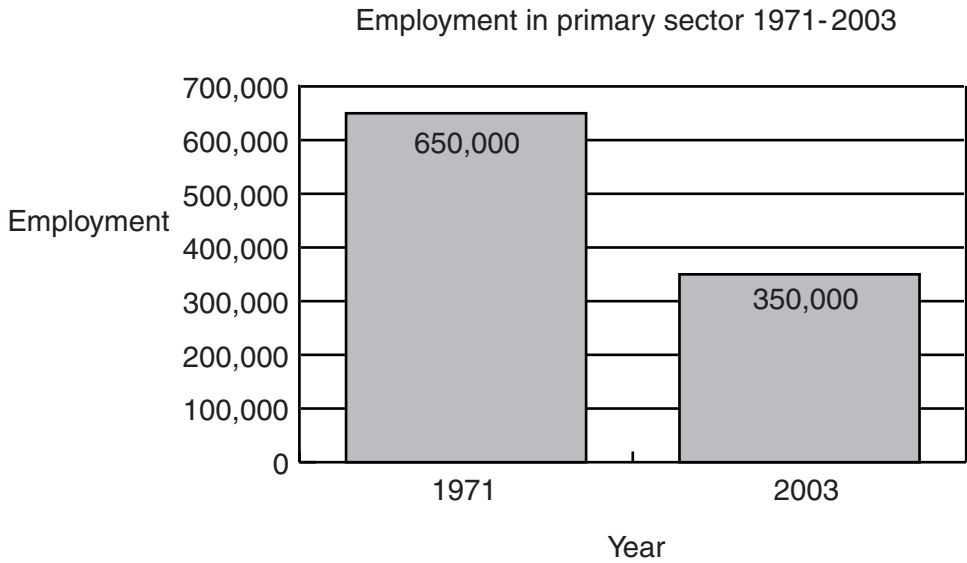


Fig. 1

Analyse the data shown in Fig. 1 and explain which of the factors below may have had the **most impact** on primary sector employment between 1971 and 2003. You should make reference to **both** factors in your answer.

- **Competition from abroad**
- **Technology**

[4]

(c) The UK government is keen to promote trade between the UK and other countries. Healthy Salmon plc sells some of its salmon to German supermarkets.

(i) State and explain **one** possible reason why Healthy Salmon plc sells some of its salmon to German supermarkets.

[3]

(ii) The amount of salmon bought from Healthy Salmon plc by German supermarkets may be influenced by the exchange rate. Fig.2 shows the trend of the euro against the pound over the period 2003 to 2006.

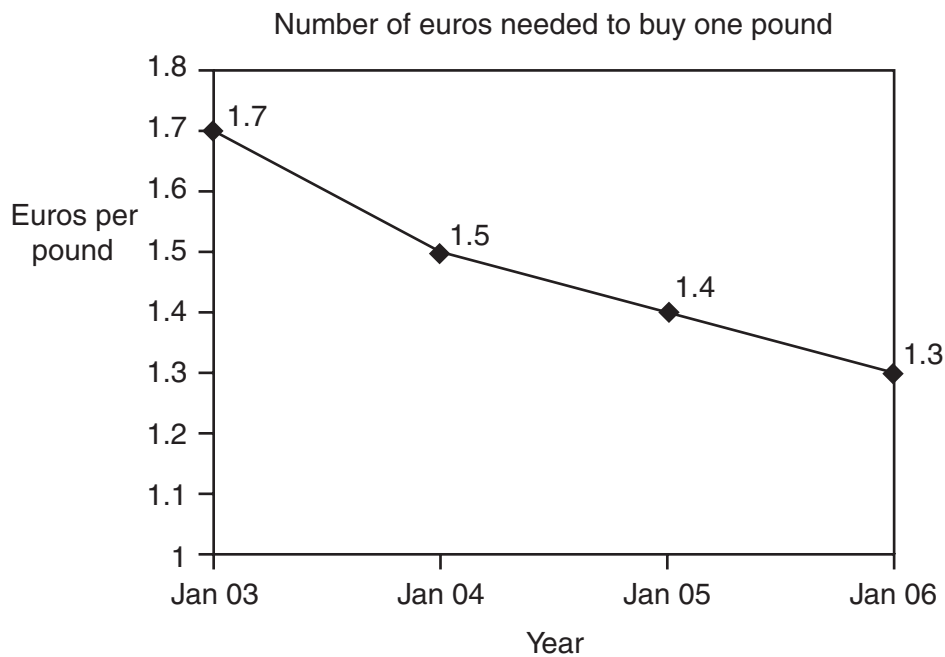


Fig. 2

Using the data shown in Fig. 2, evaluate how the change in the value of the euro against the pound may have affected Healthy Salmon plc.

[5]

(iii) At present, the UK uses the pound. Would it be beneficial to Healthy Salmon plc if the UK were to adopt the euro? Give reasons for your answer, making reference to the advantages and disadvantages of adopting the euro.

[8]

- (d) (i) The Managing Director of Healthy Salmon plc has decided to breed and sell cod, as well as salmon. To finance this expansion he has decided to issue more shares on the stock market.

Explain why individuals and businesses might wish to buy shares in Healthy Salmon plc.

[2]

- *(ii) In order to breed and sell cod and salmon, the Managing Director is considering relocating from Scotland to Ireland. Table 1 shows some of the factors he would have to consider.

FACTOR	SCOTLAND	IRELAND
Cost of land and premises	High	Low
Consumer spending	Low	High
Government grant	Yes	No
Minimum hourly wage for over 21s	£5.25	£5.50

Table 1

Using Table 1, and any other information, advise the Managing Director whether Healthy Salmon plc should relocate to Ireland or stay in Scotland. You should refer to the advantages and disadvantages of both locations in your answer.

[6+2]

[Total : 34 Marks]

QWC



2 Kaye Taxis Ltd is a medium sized business based in a city centre. It owns 150 taxis, which it rents to taxi drivers.

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

(a) The shareholders who own Kaye Taxis Ltd have limited liability. Explain why this is an advantage to shareholders.

[3]

(b) Kaye Taxis Ltd needs to buy an extra 10 taxis costing in total £350 000. It could raise the finance needed to buy the taxis using the following methods.

- Borrowing from a bank
- Issuing shares to family and friends

Recommend which of the above methods Kaye Taxis Ltd should use. Justify your answer by explaining why you did not recommend the other method.

[4]

(c) One of Kaye Taxis Ltd's objectives is to increase profitability.

(i) Explain **one** way in which Kaye Taxis Ltd may increase profitability.

[2]

(ii) Explain why Kaye Taxis Ltd could go out of business even though it may be profitable.

[2]

(d) At present, 150 taxi drivers rent taxis from Kaye Taxis Ltd. This has grown from 25 drivers in 2000.

State and explain **one** problem this rapid growth may cause Kaye Taxis Ltd.

[2]

(e) The following accounting information is used to compare the performance of Kaye Taxis Ltd with George's Taxis Ltd, a similar business in the taxi market.

A summary of Kaye Taxis Ltd and George's Taxis Ltd financial situation 2005

	Kaye Taxis Ltd	George's Taxis Ltd
Current ratio	0.8:1	2:1
Net profit to sales	20%	18%
Amount borrowed from the bank as a percentage of the value of the business.	80%	35%

Table 2

Using Table 2, which of the two companies should be more pleased with its financial situation? Give reasons for your answer.

[7]

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

Headline 1

**Environmental
regulation adds
30% to the costs of
taxi firms.**

Headline 2

**UK interest rates
to rise from
5% to 6%.**

Headline 3

**More bus services
in city centres and
cheaper bus fares!**

Evaluate the possible effects on the performance of Kaye Taxis Ltd of each of the headlines. Your answer should explain which headline might have a greater effect on performance than the other headlines.

[6]

[Total : 26 Marks]

