

**GCSE (HIGHER TIER)
BUSINESS STUDIES A**

Paper 2 (Common Core)

THURSDAY 14 JUNE 2007

H 1951/2

Afternoon

Time: 1 hour 45 minutes

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



* C U P / T 2 0 7 9 3 *

Candidate
Name

Centre
Number

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Candidate
Number

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INSTRUCTIONS TO CANDIDATES

- Write your name, Centre Number and Candidate number in the boxes above.
- Answer **all** the questions.
- Use blue or black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure you know what you have to do before starting your answer.
- Do **not** write in the bar code.
- Do **not** write outside the box bordering each page.
- 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 labelled with an asterisk (*).
- You may use an approved calculator.

FOR EXAMINER'S USE

Question 1	
Question 2	
Question 3	
Question 4	
Question 5	
TOTAL	

This document consists of **16** printed pages, **2** lined pages and **2** blank pages.

- 1 WaterHelp is a franchise organisation. It was started by Jack Formby in 1996. He produced a leaflet to advertise a franchise available in the Bowton area. Fig. 1 shows an extract from this leaflet.

Fig. 1 – Bowton WaterHelp Franchise (BWHF) – Advertising Leaflet

Bowton WaterHelp Franchise (BWHF) – Basic Information	
<p>WaterHelp</p> <p>The franchise is WaterHelp. It has 25 successful franchises across the UK selling bottled water to businesses, hospitals and schools for use in dispensing machines. All the water is supplied by WaterHelp.</p> <p>BWHF Franchise (BWHF)</p> <p>The franchise offered will be called Bowton WaterHelp Franchise (BWHF). It will suit a sole trader.</p> <p>The Water Market</p> <p>There are 15,000 places of work in Bowton and the surrounding area employing a total of 80,000 people.</p> <p>Start up Costs to be paid in the first year</p> <p>The franchisee must pay a fee of £10,000. The franchisee will need: Warehouse – £5000 rent. Van – leased from WaterHelp for £4000.</p> <p>Possible sales (Based on sales in other areas)</p> <p>Monday to Friday – 10 deliveries per day. Number of bottles per delivery – 10 Selling price per bottle – £5</p> <p>Water cost</p> <p>Cost per bottle – £2 (sold to franchisee by WaterHelp).</p> <p>Training</p> <p>Managing the business. Getting customers.</p> <p>Advertising</p> <p>The franchisor will undertake a national campaign promoting WaterHelp.</p>	<div style="border: 2px dashed black; padding: 10px; background-color: #cccccc;"> <p>An image has been removed due to third party copyright restrictions</p> <p>Details: An image of a water-cooler</p> </div>

(a) Recommend **two** skills or qualities that Jack should look for in someone to run the franchise. Give reasons for your recommendations.

1

Reason

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2

Reason

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..... [4]

***(b)** Jack is considering expanding the business either as a franchise or by starting up branches of WaterHelp owned and run by him in different regions of the country. Recommend which of these options Jack should choose. Give reasons for your answer.

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..... [8+2]

- (c) Danielle Smith applied successfully to run BWHF. Using the information in Fig. 1, calculate the gross profit that WaterHelp said she might make in a year. Assume that Danielle trades for 50 weeks each year. Show your working.

Working

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.....

Answer [4]

- (d) The gross profit margin per bottle of water sold is calculated using the formula given below.

$$\text{Gross profit margin per bottle} = \frac{\text{Gross profit per bottle} \times 100}{\text{Price per bottle}}$$

Calculate the gross profit margin per bottle that Danielle will make. Show your working.

Working

.....

Answer [2]

- (e) State **two** business costs **not** mentioned in Fig. 1 that Danielle will have to pay when running BWHF.

1

2 [2]

(f) Explain why businesses such as BWHF may **not** make as much profit as planned.

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[Total: 26 marks]

2 (a) Danielle started the business as a sole trader.

(i) State and explain **two** advantages to Danielle of running the business as a sole trader.

Advantage 1

Explanation

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Advantage 2

Explanation

..... [4]

(ii) State and explain **two** disadvantages to Danielle of running the business as a sole trader.

Disadvantage 1

Explanation

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Disadvantage 2

Explanation

..... [4]

(b) Danielle buys water on trade credit from WaterHelp. Explain how trade credit will help Danielle's business.

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- 3 (a) Danielle needs to recruit a worker to help with the delivery of the water and to act as a salesperson.

Explain why Danielle should produce each of the following when recruiting the worker.

- (i) Job description

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..... [3]

- (ii) Person specification

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..... [3]

- (b) Using information provided by applicants on their application forms and CVs, Danielle produced a shortlist of four final candidates. Recommend **two** methods of selection that she should use to choose which of the shortlisted candidates to employ. Give reasons for each of your recommendations.

First method of selection

Reasons

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Second method of selection

Reasons

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..... [6]

***(c)** Recommend **two** ways in which Danielle should motivate the new worker. Give reasons for each of your recommendations.

One

Reasons

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Two

Reasons

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..... [6+2]

(d) Explain **two** employment laws that Danielle must obey as the employer of the worker.

Law 1

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Law 2

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[Total: 24 marks]

4 Fig. 2 shows the balance sheet for the Bowton WaterHelp Franchise (BWHF).

Fig. 2 – Balance Sheet as at 31 December 2005 and 2006 – BWHF

	2005	2006
Fixed Assets		
Premises	60,000	74,000
Equipment	14,000	24,000
Current Assets		
Stock	2,000	3,000
Debtors	5,000	3,000
Cash at bank	5,000	2,000
Current Liabilities		
Overdraft	3,000	3,000
Creditors	3,000	3,000
Net Current Assets	6,000	2,000
NET ASSETS	80,000	100,000
Financed by:		
Owner's Capital	40,000	65,000
Loan	40,000	35,000
CAPITAL EMPLOYED	80,000	100,000

Fig. 3 – Profit figures for BWHF

Year	Net profit
2005	20,000
2006	22,000

- (a) Calculate the current ratio for 2005 for BWHF at 31 December 2005. Show your working.

Working

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Answer [3]

- (b) Calculate the Return on Capital Employed for BWHF for 2005. Show your working.

Working

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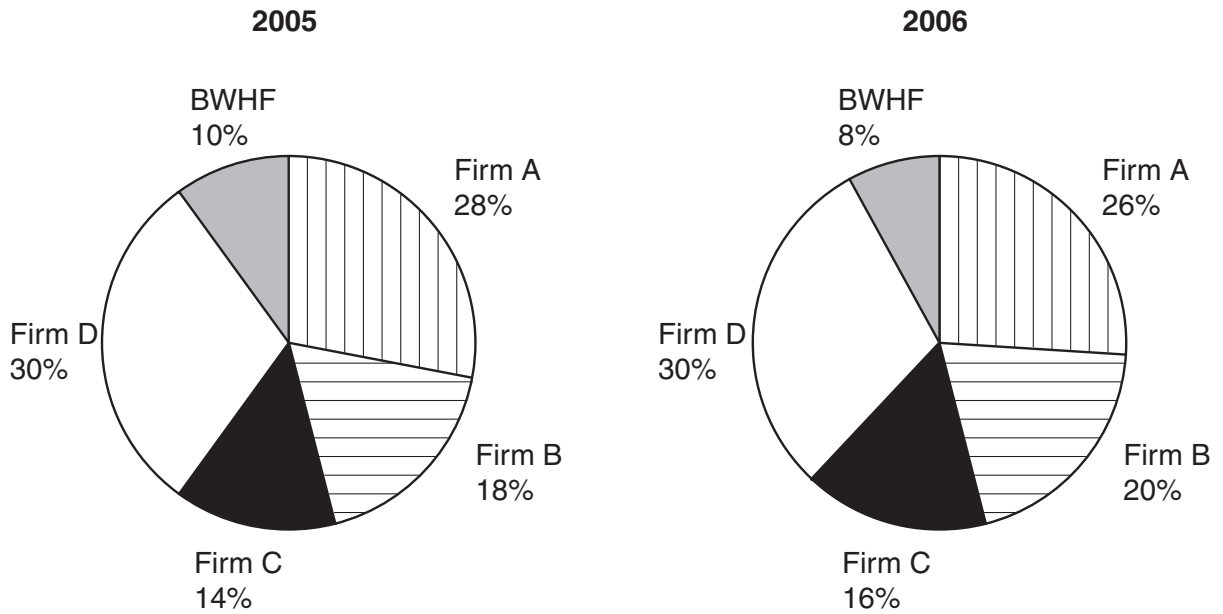
Answer [3]

- 5 (a) Fig. 4 shows the share of the Bowton area market for bottled water sold for dispensers in 2005 and 2006.

Fig. 4 – Share of dispensed water market in Bowton – 2005 and 2006

Total Value of Sales 2005 - £1,000,000

Total Value of Sales 2006 - £1,500,000



What happened to the **value** of sales of bottled water for BWHF between 2005 and 2006?

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(d) Fig. 5 is an extract from a newspaper article about WaterHelp.

Fig. 5 – Extract from newspaper article

WaterHelp makes record donations

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

Details: An image of a woman
pumping water into a container
and two watering cans

WaterHelp money paid for a new well to be built in an African village. Owner of WaterHelp, Jack Formby, said, "It's great to see the villagers becoming independent – that's why I set up the business."

Jack Formby, the owner of WaterHelp, gives 10% of the price of each bottle of water that he sells to AidAfrica, a charity that provides help for poor people in Africa.

- (i) Calculate how much will be donated to AidAfrica from the sale of each £2 bottle of water. Show your working.

Working

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Answer [2]

- (ii) Using the information in Fig. 5, discuss how the objectives of Jack Formby in running WaterHelp may differ from those of Danielle Smith in running BWHF.

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..... [4]

[Total: 24 marks]

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