

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

Paper 4 – Option: Business and Change
TUESDAY 19 JUNE 2007

H 1951/4

Afternoon

Time: 1 hour

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



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Candidate
 Name

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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.
- 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 page at the end of the booklet and number your answers carefully.
- Do **not** write in the bar code.
- Do **not** write outside the box bordering each page.

INFORMATION FOR CANDIDATES

- The number of marks for each question 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 document consists of **11** printed pages and **1** lined page.

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Details: An image of a pizza

1 In 1995 Alessia Rossi opened an Italian restaurant, 'Fiorentinas', selling food such as pasta and pizzas.

(a) (i) State and explain one advantage and one disadvantage to Alessia of running Fiorentinas as a sole trader.

Advantage _____

Disadvantage _____

_____ [4]

(ii) State and explain two factors which Alessia may have considered when deciding where to locate Fiorentinas.

Factor 1 _____

Factor 2 _____

_____ [4]

(iii) State and explain one social cost to the local community of Alessia opening Fiorentinas.

_____ [2]

- (b) Fiorentinas is in the service sector which also includes, for example, those employees working in banks and sports centres. Fig. 1 below shows the change in the level of employment in the service sector between 1985 and 2005.

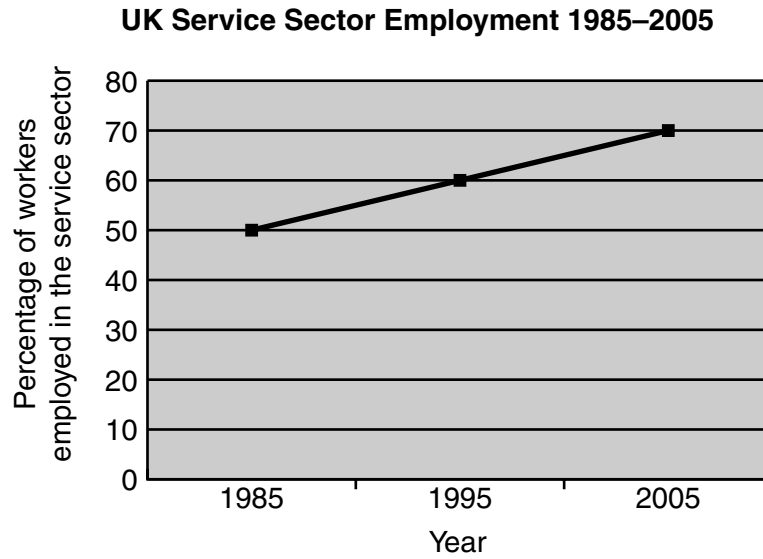


Fig. 1

Using the data in Fig. 1, explain **two** factors which might have caused the change in UK Service Sector Employment between 1985 and 2005.

1 _____

2 _____

_____ [4]

(c) After a period of rapid growth, Alessia decided to turn Fiorentinas into a public limited company in 2001.

(i) State and explain **one** reason why Alessia might have done this.

[3]

(ii) At the end of 2006, the Financial Director of Fiorentinas plc provided the following financial information.

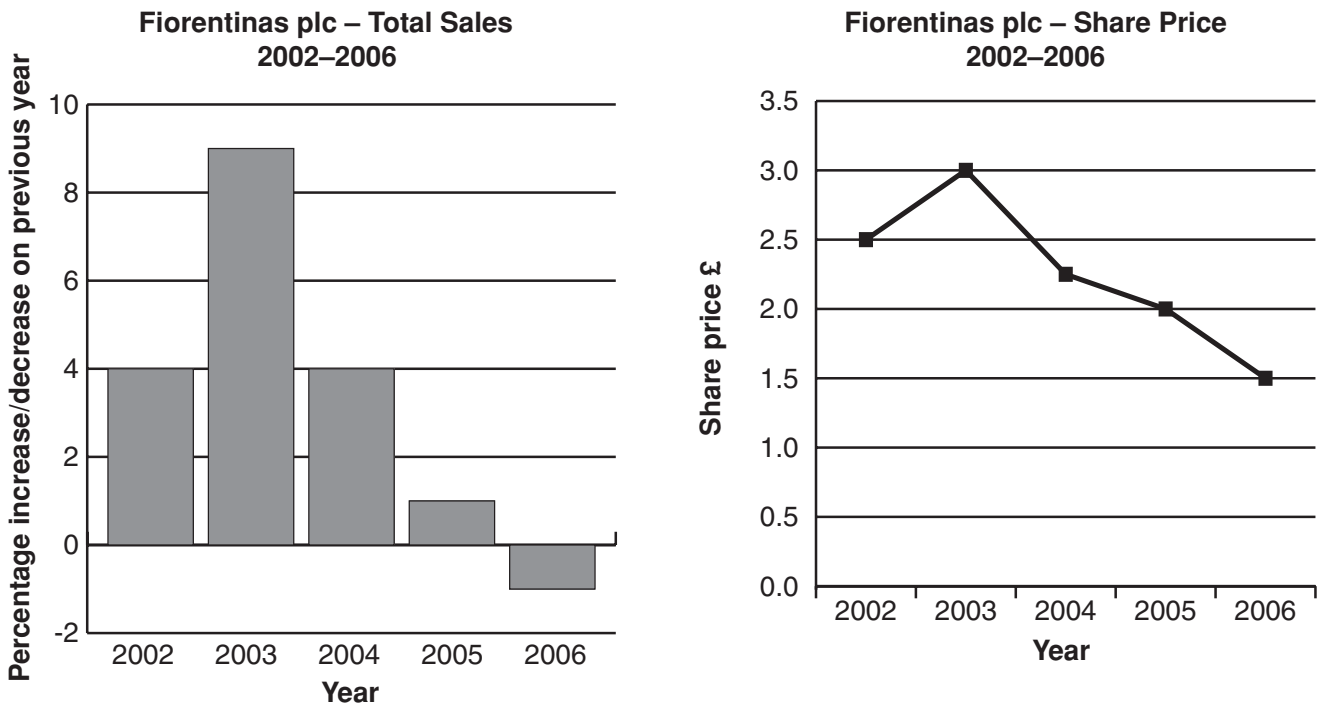


Fig. 2

Analyse the data shown in Fig. 2 and explain the possible relationship between the change in total sales and the change in the share price of Fiorentinas plc.

[4]

(d) In 2006, Fiorentinas plc employed 300 waiters and waitresses who were paid at the national minimum wage.

Age	2005 National Minimum Wage rate	2006 National Minimum Wage rate
22 and above	£4.85	£5.35
18 – 21	£4.10	£4.45
16 – 17	£3.00	£3.30

Fig. 3

Discuss the possible significance to Fiorentinas plc of the changes in the national minimum wage shown in Fig. 3 and suggest **one** possible action Fiorentinas plc should take in response to the data.

[5]

[Total marks: 26]

[Turn over

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Details: An image of a pram

2 Littlechild plc makes and sells a range of prams and car seats for babies. It sells directly to customers over the Internet and to stores in the UK and the rest of the European Union.

(a) Littlechild plc is said to operate in an oligopolistic market. Explain one advantage to Littlechild plc of operating within an oligopolistic market.

[2]

***(b)** In the past Littlechild plc has leased the machines which make the prams. It had bought the machines which make the car seats. All the machines now need to be replaced.

The Managing Director of Littlechild plc must decide whether to lease all of the machines or buy all of the machines. Fig. 4 shows some of the factors he would have to consider.

Factor	Lease	Buy
Initial cost of the machines.	No cost	High cost
Machine repaired by the manufacturer if it breaks down.	Yes, for life of machine	Yes, but only for first year
Total cost over the life of the machine.	High cost	Medium cost
Can Littlechild plc sell the machine when it is replaced?	No	Yes

Fig. 4

Using Fig. 4, and any other information, advise the Managing Director whether Littlechild plc should lease or buy all of its machines. You should refer to each of the factors shown in Fig. 4.

[6+2]

QWC

- (c) Study the following financial information on Littlechild plc and Baby Baby plc, a similar business in the pram and baby car seat market.

Littlechild plc		Baby Baby plc	
	£m		£m
Sales	175	Sales	200
Net Profit	15	Net profit	20
Current assets	10	Current assets	20
Current liabilities	20	Current liabilities	10
Long-term liabilities	25	Long-term liabilities	10
Capital employed	40	Capital employed	60

Fig. 5 – A Summary of Littlechild plc and Baby Baby plc financial situation 2006

Using the figures in Fig. 5, and ratio analysis, explain which of the two companies would be more pleased with its financial situation. Give reasons for your answer.

[8]

- (d) The performance of Littlechild plc may be affected by the trend shown in Fig. 6.

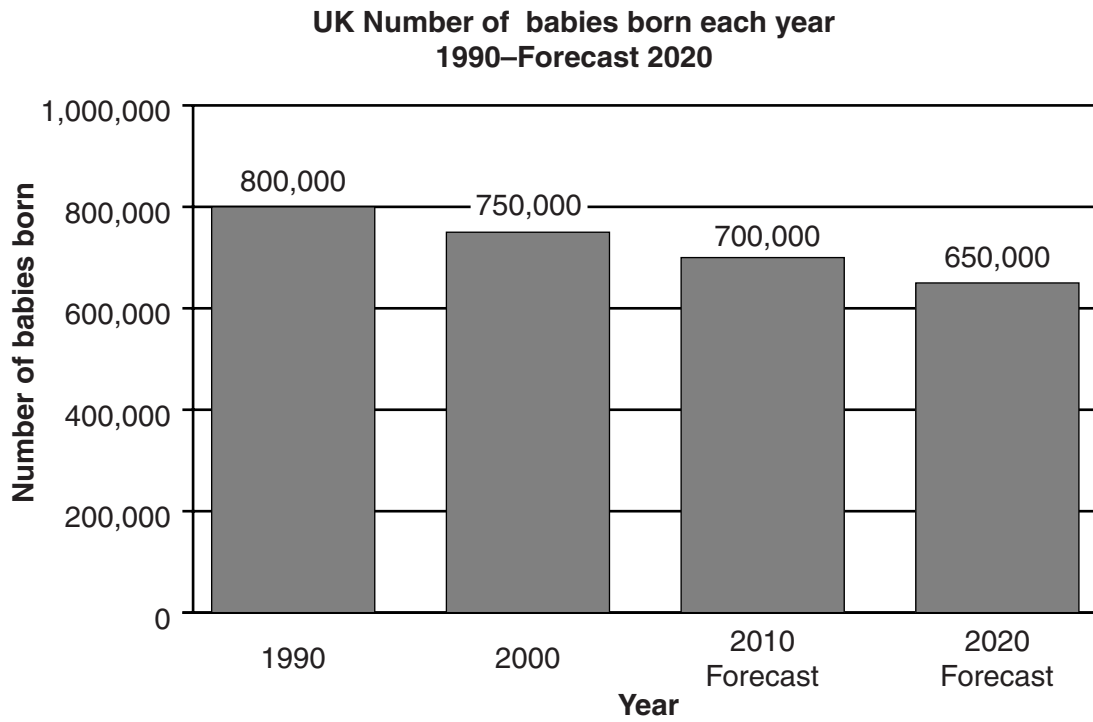


Fig. 6

- (i) How might the trend shown in Fig. 6 affect Littlechild plc? Give reasons for your answer.

[3]

(ii) The Managing Director of Littlechild plc realises it needs to react to the trend in the number of babies born in the UK as shown in Fig. 6. He could either:

- diversify;

OR

- reduce the workforce.

Recommend which of the above strategies Littlechild plc should use. Justify your answer by explaining why you did **not** recommend the other strategy.

Strategy _____

Explanation _____

[5]

(e) Study the changes in economic variables in Fig. 7 and answer the question that follows.

FACTOR	2005	Forecast 2008
£: Euro	One £ can buy 1.3 Euros	One £ can buy 1.8 Euros
Average wage in the UK	£20 000 per year	£22 000 per year
Tax as a percentage of household income in the UK	35%	38%

Fig. 7

Evaluate the possible effects of the forecasted changes on Littlechild plc. Your answer should explain which factor might have a **greater** effect on Littlechild plc.

[8]

[Total marks: 34]

