

**GENERAL CERTIFICATE OF SECONDARY EDUCATION
 BUSINESS STUDIES A**

1951/04

Paper 4 – Option: Business and Change

MONDAY 16 JUNE 2008

Afternoon
 Time: 1 hour

Candidates answer on the question paper
Additional materials (enclosed): None

Additional materials (required):
 Calculators may be used



Candidate Forename

Candidate Surname

Centre Number

Candidate Number

INSTRUCTIONS TO CANDIDATES

- Write your name in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use blue or black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- Do **not** write in the bar codes.
- Write your answer to each question in the space provided.
- 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 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 answer to the question labelled with an asterisk (*).

FOR EXAMINER'S USE	
1	
2	
TOTAL	

This document consists of **10** printed pages and **2** lined pages.

1 Wallis Ltd is a medium-sized food producer, selling a wide range of ready meals such as lasagne and pizzas to the major supermarkets and other food outlets.

(a) (i) State and explain **one** advantage and **one** disadvantage to Wallis Ltd of running the company as a private limited company rather than a partnership.

Advantage

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Disadvantage

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..... [4]

(ii) State **one** business objective Wallis Ltd may have. Give **one** reason why it is important the business meets this objective.

Business objective

Reason

..... [2]

(b) Wallis Ltd operates in the UK. The UK is an example of a mixed economy moving towards a market economy.

(i) Explain the term **mixed economy**.

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..... [2]

(ii) State and explain **one** possible advantage **to the consumer** of the UK becoming more market based.

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..... [2]

- (c) The government wishes to encourage companies, such as Wallis Ltd, to invest in more environmentally friendly production processes. The information below shows three actions which may or may not help the government in achieving its aim.

Indicate, with a **tick**, if each action is likely **or** unlikely to help the government to encourage companies to invest in more environmentally friendly production processes.

ACTION	LIKELY to encourage companies to invest in more environmentally friendly production processes	UNLIKELY to encourage companies to invest in more environmentally friendly production processes
Decrease taxes on oil, gas and electricity used by companies such as Wallis Ltd.		
Decrease taxes on companies such as Wallis Ltd when they invest in new environmentally friendly machinery.		
Decrease government grants for training managers of companies in environmental matters.		

[3]

(d) Fig. 1 provides a summary of information regarding Wallis Ltd and the amount spent on convenience food by UK households.

	2006	2007	2008 forecast
Value of UK convenience food market	£965 million	£945 million	£850 million
Wallis Ltd market share	12%	11%	10%
Value of Wallis Ltd market share	£115.8 million	£103.9 million	£85 million

Fig. 1

Analyse the information shown in Fig. 1, and suggest **one** possible action which Wallis Ltd may take in response to the information. Give reasons for your answer.

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..... [6]

2 Anne-Marie plc is a large multinational company which makes and sells a variety of household products, such as refrigerators and washing machines, to customers within the European Union.

(a) (i) Draw **one** line which correctly matches the term **multinational company** with its explanation.

Multinational company

A company in which most or all of the shares are owned by a holding company.

A company which owns a number of other companies.

A company which has a head office in one country but has manufacturing/service facilities in another.

[1]

(ii) State and explain **one** advantage and **one** disadvantage of Anne-Marie plc being a multinational company.

Advantage

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Disadvantage

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..... [4]

(b) The Managing Director of Anne-Marie plc is deciding whether to relocate some of its business from the UK to Bangladesh. Fig. 3 shows some of the factors he would have to consider.

FACTOR	UK	Bangladesh
Newspaper headlines	UK newspaper headline: 'UK firms exploiting workers in Bangladesh'.	Bangladeshi newspaper headline: 'UK firms creating jobs and bringing money to Bangladesh'.
Quality of products	Higher	Lower
Health and safety costs	High	Low
Average wage per hour	£5.50	50 pence

Fig. 3

*** (i)** Using Fig. 3, and any other information, advise the Managing Director whether Anne-Marie plc should re-locate some of its business from the UK to Bangladesh. You should refer to the advantages and disadvantages of **both** locations in your answer.

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- (ii) State and explain **one** advantage and **one** disadvantage to **other UK businesses** of Anne-Marie plc relocating some of its business to Bangladesh.

Advantage

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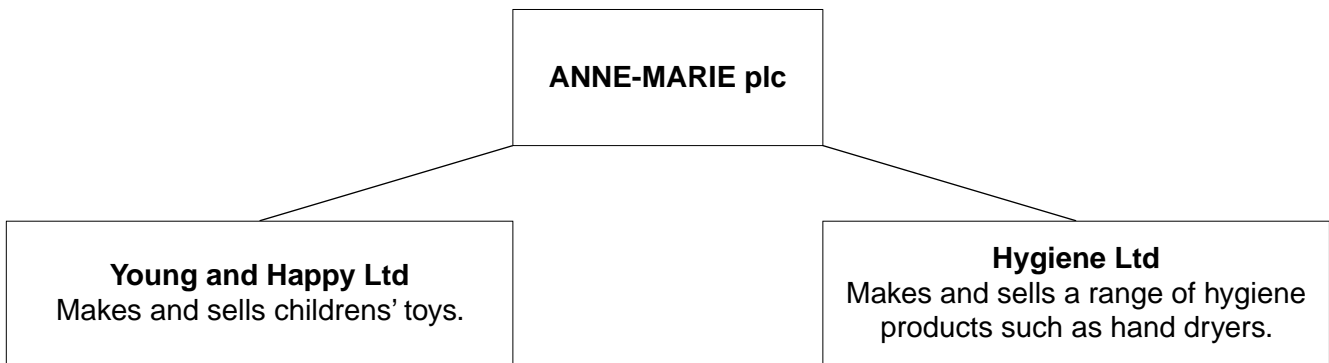
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Disadvantage

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- (c) Anne-Marie plc is a holding company with many subsidiaries, two of which, Young and Happy Ltd and Hygiene Ltd, are shown below.



The Board of Directors of Anne-Marie plc wishes to sell one of its subsidiaries, either Young and Happy Ltd **or** Hygiene Ltd. Its objective is to gain as much money as possible from the sale. The following financial information has been drawn up by the Financial Director.

Young and Happy Ltd		Hygiene Ltd	
	£m		£m
Sales	30	Sales	30
Gross Profit	10	Gross Profit	20
Current assets	3	Current assets	5
Current liabilities	6	Current liabilities	3
Bank loans	10	Bank loans	10.5
Fixed assets	13	Fixed assets	14

Fig. 4 – A Summary of Young and Happy Ltd and Hygiene Ltd financial situations 2007

Using Fig. 4 and ratio analysis, advise the Board of Directors which one of the two companies, Young and Happy Ltd **or** Hygiene Ltd, should be sold in order to raise the most money. Give reasons for your answer.

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