



1951/04

GENERAL CERTIFICATE OF SECONDARY EDUCATION BUSINESS STUDIES A

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				

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SP (SHW 00029 4/07) T53765/3

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		d is a medium-sized food producer, selling a wide range of ready meals such as lasagne as 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
		Disadvantage
		[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)		lis Ltd operates in the UK. The UK is an example of a mixed economy moving towards a ket economy.
	(i)	Explain the term mixed economy .
		[2]
	(ii)	State and explain one possible advantage to the consumer of the UK becoming more market based.
		[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.		

(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

may take in response to the information. Give reasons for your answer.
re:

(e) Wallis Ltd has decided to merge with either Redmonds Ltd or Boyle Ltd. Some information on each company is shown below.

Wallis Ltd	Boyle Ltd	Redmonds Ltd
Sells a variety of convenience food e.g. ready meals.	Sells a variety of kitchen products such as plates, cups and knives.	Sells a variety of convenience food, e.g. ready meals.
100 staff	75 staff	100 staff
15% of Total Capital Employed is borrowed from the bank.	50% of Total Capital Employed is borrowed from the bank.	40% of Total Capital Employed is borrowed from the bank.

Fig. 2

Recommend to Wallis Ltd with which company, Redmonds Ltd or Boyle Ltd, it should merge. In your answer you should refer to all of the information in Fig. 2 and your knowledge of mergers.
[8]

[Total marks: 27]

- 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.

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

Multinational 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 multinational company.	disadvantage	of Anne-Marie	plc being a
	Advantage			
	Disadvantage			
	ŭ			
			•••••	[41

(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

(1)	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.
	[6+2]
	OWC

(ii)	(ii) State and explain one advantage and one disadvantage to other UK business Anne-Marie plc relocating some of its business to Bangladesh.			
	Advantage			
	Disadvantage			
			[4]	
	ne-Marie plc is a holding co and Hygiene Ltd, are show		diaries, two of which, Young and Happy	
		ANNE-MARIE plc		
	ng and Happy Ltd nd sells childrens' toys.		Hygiene Ltd Makes and sells a range of hygiene products such as hand dryers.	

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

	£m
Sales	30
Gross Profit	10
Current assets	3
Current liabilities	6
Bank loans	10
Fixed assets	13

Hygiene Ltd

	£m
Sales	30
Gross Profit	20
Current assets	5
Current liabilities	3
Bank loans	10.5
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.
[8]
[O]

(d) Anne-Marie plc sells most of its household products to the UK and Germany. The percentage of its total sales revenue from selling to both of these countries is shown in Fig. 5.

	2007
Percentage of total sales revenue gained from the German market	26%
Percentage of total sales revenue gained from the UK market	26%

Fig. 5

Fig. 6 shows changes in economic variables for both Germany and UK. Study the changes closely and answer the question that follows.

FACTOR	2007	Forecast 2009
German interest rate UK interest rate	3.25% 5.25%	3.5% 6%
German inflation rate (price increases) UK inflation rate (price increases)	2% 2.5%	2% 4%
£: Euro	One £ can buy 0.7 Euro	One £ can buy one Euro

Fig. 6

you should explain whether the UK, Germany or neither country is likely to have the highes percentage of Anne-Marie plc's total sales revenue in 2009.
81

[Total marks: 33]

If you use the following lined page to complete the answer to any question, the question number must be clearly shown.

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