

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

2321/01

Business Organisation (Foundation Tier)

WEDNESDAY 16 JANUARY 2008

Morning
 Time: 1 hour 15 minutes

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.
- Do **not** write outside the box bordering each page.
- 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	
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4	
TOTAL	

This document consists of **9** printed pages and **3** lined pages.

1 MayflyU Ltd is a new low cost airline company.

(a) State **two** advantages of a limited company.

1.....

 2.....
 [2]

(b) Peter Richards is the Managing Director. He believes that a flat organisational structure is most suitable for MayflyU Ltd.

(i) In Fig. 1 below, tick the **two** boxes which describe features of a flat organisational structure.

Features of a flat organisational structure	Tick if it is a feature
1 Communication has to go through more levels	
2 Managers have a wide span of control	
3 More responsibility is delegated to each worker	
4 There are good opportunities for promotion	

Fig. 1 [2]

(ii) For **one** of the features ticked in Fig. 1, explain why it would be an advantage to a business such as MayflyU Ltd.

Feature

Explanation

..... [2]

(c) Peter is concerned that MayflyU Ltd has to compete with existing airlines and long distance rail companies. He needs, therefore, to get MayflyU Ltd's pricing policy correct.

(i) State and explain a suitable pricing policy for MayflyU Ltd.

Pricing Policy

Explanation

..... [4]

*(ii) Pricing is one way in which businesses compete.

Choose a business you have studied.

Name of business

Other than price, discuss how the business you have chosen could compete with other businesses.

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[6+2]

QWC

[Total: 18]

2 Milos owns a market gardening business which grows flowers, fruit and vegetables. He is a sole trader operating in the primary sector.

(a) In Fig. 2 below, put a tick against the **two** statements which are features of a sole trader.

The owner:	Tick if it is a feature of a sole trader
can fairly easily change to a different type of business organisation	
has to take into account the views of his partners	
is held liable for the debts of the business	
must reinvest any profit made in the business	

Fig. 2

[2]

(b) Explain what is meant by the primary sector.

.....

 [2]

(c) Milos sells flowers, fruit and vegetables to retailers.

Explain **one** advantage to Milos of **also** selling **directly to consumers**.

.....

 [2]

(d) Milos would like to expand the business in order to gain greater economies of scale.

State **one** economy of scale and explain how it might be an advantage to a business such as Milos'.

Economy of scale

Explanation

.....

 [3]

- (e) In order to expand the business, Milos needs to raise more finance. He has decided to apply for a loan from his bank.

Explain **one** advantage and **one** disadvantage to Milos of a bank loan.

Advantage

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Disadvantage

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..... [4]

- (f) A national supermarket, Fisher plc, is hoping to open a new store near Milos' market gardening business.

The supermarket could finance the building of the new store by:

- issuing more shares;
- reinvesting profit.

Discuss both of these options and recommend which would be the **best** way for the supermarket to finance the building of the new store.

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..... [6]

[Total: 19]

3 Mary Gbomo is the Human Resources Manager of 3Z Computers plc, a business which assembles computers. At present the company only uses financial methods of motivation.

(a) Mary is thinking of introducing non-financial methods of motivation.

(i) State **two** examples of non-financial methods of motivation.

- 1
- 2 [2]

(ii) For **one** of the methods stated above, explain how it could improve the motivation of workers at 3Z Computers plc.

Method

Explanation

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..... [3]

(b) 3Z Computers plc wants to improve the quality of its computers. It could:

- introduce quality circles;
- get the computer parts from different suppliers.

Recommend which would be the **best** way for 3Z Computers plc to improve the quality of its computers. Give reasons for your recommendation.

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- 4 James Cotton is the Finance Director of Arnside Ltd, a car accident repair business located in a town centre.

Fig. 3 below shows the Profit and Loss Account he has prepared for the last financial year.

Arnside Ltd – Profit and Loss Account	
	£'000
Sales Revenue	450
Cost of Sales	200
Gross Profit	<input type="text"/>
Fixed Costs	185
Net Profit	65

Fig. 3

- (a) (i) Calculate 'Gross Profit'. Show your working.

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..... [2]

- (ii) Give **one** example of a fixed cost.

..... [1]

- (b) James would like to persuade the other directors to move the business from the town centre to an industrial estate on the edge of the town.

Explain **one** advantage to Arnside Ltd of relocating to an industrial estate on the edge of the town.

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..... [3]

- (c) Before deciding whether or not to move to an industrial estate, the directors of Arnside Ltd will have to consider many factors.

Choose a business you have studied.

Name of business

Recommend whether your **chosen** business should remain in its present location. Justify your answer.

Recommendation

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[Total: 12]

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