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2323/02

GENERAL CERTIFICATE OF SECONDARY EDUCATION BUSINESS STUDIES B (1952)

Business in its Environment (Higher Tier)

FRIDAY 23 MAY 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.
- Write your answer to each question in the space provided.
- Additional answer space is available on the lined pages at the back of this booklet. Answers on these
 pages must be clearly numbered.

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 **60**.
- The quality of your written communication will be taken into account when marking your answer to the question labelled with an asterisk (*).

FOR EXAM	NER'S USE
1	
2	
TOTAL	

This document consists of 10 printed pages and 2 lined page	This	document	consists of	10	printed	pages	and 2	lined	page
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Question 1

Buchanan Scents Ltd (BSL) produces perfumes. 20% of the company's perfumes are sold in the UK and 80% are exported to the rest of the world.

1)	BSL operates in a global market. Explain this term.
	[2]
	•

(b) A business such as BSL can have a major effect on the area in which it is located. Fig. 1 below shows part of an article which appeared recently in a local newspaper.

The Daily Advertiser - 24 April 2008

As one of the biggest employers, BSL continues to play a very important role in our local community. Despite the recent closure of one of its transport and distribution units, which led to the loss of 20 jobs in a local vehicle repair centre, BSL has paid for improvements to the local road network to reduce traffic congestion. In addition, its new headquarters building, which had been heavily criticised for ruining an area of outstanding natural beauty, has now been landscaped.

Fig. 1

Using Fig. 1:

(i)	identify two social benefits created by BSL;	
	1	
	2	[2]
(ii)	identify two social costs created by BSL.	
	1	
	2	[2]

(c)	BSL has a responsibility to protect the environment.
	Identify and explain two ways in which a local firm or organisation you have studied has protected the environment.
	Name of firm or organisation
	1
	2
	IN1

*(d) Perfumes have to be tested before they can be declared as safe and sold to customers.

BSL has been facing increased demands to stop testing its perfumes on animals. Recently, BSL paid for an advertisement in a national newspaper to present its views. The main points are summarised in Fig. 2 below.

Main points from BSL's newspaper advertisement

If manufacture of the perfumes which are tested on animals was stopped:

- 150 full time jobs would be lost.
- BSL would lose £8 million of sales revenue.
- Profits would fall by an estimated £2 million.
- The value of the company might fall.
- Consumers would no longer be able to purchase perfumes that they value.
- Foreign firms would replace our perfumes with their own (many of which are also tested on animals).

Fig. 2

Some pressure groups have suggested that stopping production of perfumes tested on animals would improve BSL's image and increase the company's sales and profits.

Discuss the suggestion made by the pressure groups and advise BSL whether or not it should continue to produce perfumes tested on animals.

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[9+2]
QWC

(e) Exporting firms are affected by the value of the exchange rate.

Fig. 3 below contains a list of some of BSL's perfumes and prices.

PerfumePrice per bottle (£)Cosmos38Lavish41Delight50Spirit53
--

Fig. 3

•		pirit to a custor e euro (€) is £1	•
			[3]

(f) BSL is considering building a new factory in Germany. The main reasons for this are rising UK employment costs and worries over the future value of the exchange rate between the pound sterling (£) and the euro (€).

The proposed factory was discussed at a recent board meeting. An extract from the minutes of that meeting are shown in Fig. 4 below.

Extracts from the Minutes of the Board Meeting held on 19 April 2008

- The value of the pound is expected to rise by 20% over the next two years.
- The sales of BSL's perfumes in Germany are not expected to grow over the next three years.
- Land costs in Germany are expected to increase by 5% per year.

Fig. 4

Using the information provided above and any other relevant factors, advise BSL whether or not it should build a new factory in Germany. Give reasons for your advice.
16.

Question 2

Michael Bunn operates his business – Bunn's Bakery – in a small market town. It produces and sells a wide range of breads and cakes.

(a)	Var	ious laws protect different stakeholders.
	(i)	Using an example, explain how the law protects the consumer.
		[3]
	(ii)	The national minimum wage was introduced to protect low-paid employees.
		Every year the minimum wage has increased and Michael has seen his business' costs rise as he has had to increase his employees' pay.
		Evaluate how Michael's business could react to the continuing rise in the national minimum wage.

		[9]
(b)		n's Bakery has been affected by changes in the local population structure as more people ween 25 and 35 years old have moved into the town.
	(i)	Michael has noticed that this younger population's eating habits have affected his sales volumes.
		• Sales of cream cakes and white bread have fallen by 10% over the past two years.
		Sales of healthy eating options have increased by 15%.
		Explain one way in which Bunn's Bakery could take advantage of this change in eating habits.
		[0]
		r

(ii) Over the past five years Bunn's Bakery has experienced a general increase in sales turnover as the local population has increased. Unfortunately, the business has not always been able to keep up with consumer demand. This is because the machinery is old and cannot produce enough output.

Michael has looked at two new baking machines which might be suitable for his business. Information for each machine is given in Fig. 5 below.

	Primus mixers and oven	Benson mixers and oven
Purchase cost of machinery	£30,000	£40,000
Installation costs	£6,000	£7,500
Output per hour	200 units	300 units
Labour savings per week	30 hours	45 hours
Operating costs per hour	£50	£60

Fig. 5

Using the information provided above and any other relevant factors, advise Michael which machine he should purchase for his business. Give reasons for your choice.
[0]

(c)		igher rate of inflation in the economy has led to a rise in interest rates, which has affected in's Bakery.
	Exp	lain two ways in which Bunn's Bakery's response to this rise might affect its customers .
	1	
	2	
		[4]
(d)	Pric	e stability is one of the key economic objectives of the UK government.
	(i)	State one government economic objective other than controlling inflation.
		[1]
	(ii)	Explain how the UK government might attempt to achieve the economic objective stated in (d)(i) .
		[2]

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

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