

**GENERAL CERTIFICATE OF SECONDARY EDUCATION
BUSINESS STUDIES A (SHORT COURSE)**

1051/02

Paper 2 (Higher Tier)

Candidates answer on the Question Paper

OCR Supplied Materials:
None

Other Materials Required:
• Calculators may be used

**Monday 7 June 2010
Morning**

Duration: 1 hour 30 minutes



Candidate Forename		Candidate Surname	
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Centre Number						Candidate Number				
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INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use 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 paper may be used if necessary but you must clearly show your Candidate Number, Centre Number and question number(s).

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 **100**.
- The quality of written communication will be taken into account in marking your answer to the question labelled with an asterisk (*).
- This document consists of **16** pages. Any blank pages are indicated.



**A calculator may
be used for this
paper**

- 1 Plateau plc produces tableware such as plates, cups and saucers for the hotel and catering industry.

(a) (i) The term plc stands for 'public limited company'.

Explain the meaning of the word 'limited' in the term public limited company.

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(ii) State and explain **one** advantage to a shareholder of owning shares in Plateau plc.

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(b) Plateau plc has made a decision **not** to improve the **quality** of the products it makes.

(i) Identify **one** stakeholder group which may be affected by this decision.

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Explain why this stakeholder group might be affected by this decision.

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- (ii) Identify **one** stakeholder group which may **not** be affected by this decision.

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Explain why this stakeholder group might **not** be affected by this decision.

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- (c) One of Plateau plc's objectives is expansion.

Explain **two** reasons why businesses such as Plateau plc might want to expand.

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- 2 Plateau plc has a large factory where all of the tableware is mass-produced. The patterns for the tableware are created by independent designers who operate as sole traders.

(a) State and explain **one** reason why employing independent designers may be a disadvantage to Plateau plc.

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(b) Fig. 1 shows the fees which are paid to the designers.

	Payment
Initial fee for each design	£1000
Fee for each design accepted	£300
Sales of design (commission)	2% of total annual sales

Fig. 1

- (i) A designer produced four designs in one year that were accepted by Plateau plc. The total annual sales of all four designs were £30,000.

Using the information in Fig. 1 calculate how much the designer would earn in one year from Plateau plc. Show your working.

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- (ii)** Plateau plc pays its production workers on a time-based system.

Identify **two** compulsory deductions which are taken from the total gross pay before the workers are paid.

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- (c)** Plateau plc imports raw materials from France and Spain.

Why might Plateau plc have decided to buy raw materials from other countries in the European Union rather than the UK?

Give reasons for your answer.

[6]

- (d)** Plateau plc produces the tableware using flow production. Using flow production means that Plateau plc might achieve economies of scale.

- (i) Explain, using an example, **one** way in which Plateau plc might achieve economies of scale.

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- (ii) The Production Director is considering changing from flow to **batch** production.

Discuss ways in which the Production Manager of Plateau plc might have to reorganise the factors of production in order to change to a batch production system.

..... [6]

[Total: 24]

- 3 Plateau plc sells its tableware **direct** to large hotel chains in the UK. This allows it to keep its prices low compared to its competitors.

(a) Explain **one** reason why selling **direct** to hotels allows Plateau plc to keep its prices low.

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(b) (i) Selling direct to hotels means that Plateau plc uses **informative** advertising. Explain the term 'informative advertising'.

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- (ii) Plateau plc has relied on its website to market the tableware. The Board of Directors have decided that they should also try one of the following as well as the website:

- trade fairs for the hotel and catering industry
- advertising in specialist magazines for the hotel and catering industry
- personal selling using a team of salespeople.

Discuss which method Plateau plc should use to market the tableware to hotels in order to be more competitive, explaining why you have rejected the other options.

[8]

- (c) Selling direct to hotels is only one way of distributing and selling the tableware. Plateau plc is considering using **one** of the following options to widen its market:

- mail order direct to the public using its own website
- opening large retail outlets in a few big cities.

The table below shows the **total cost** of each option.

Option	Total Cost
Mail order	£5 m
Retail outlets	£11.5 m

- (i) Explain the difference between the terms 'cost' and 'price'.

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- (ii) Why might the total cost for the retail outlets be so much higher than for mail order? Give reasons for your answer.

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- (iii) Apart from **cost**, identify **two** other factors which might help Plateau plc to make the decision between the two methods of selling.

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- *(iv) Advise Plateau plc which of the two options, mail order or retail outlets, it should use to sell the tableware direct to the market. Give reasons for your answer, explaining why you have rejected the other option.

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- (d) The Board of Directors of Plateau plc have decided that they will have to use internal sources of finance to raise some of the finance for these plans.

Explain **two** advantages to Plateau plc of using **internal** sources of finance for these plans.

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[Total: 36]

- 4 The Human Resource Management (HRM) Director at Plateau plc has decided that whichever option is chosen to widen the market, extra staff will have to be recruited for the marketing department.

- (a) (i) The HRM Director has delegated the task of advertising the job of Market Research Assistant to the Marketing Manager.

Explain the meaning of the term 'delegation'.

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- (ii) Explain why a business such as Plateau plc may use internal **or** external recruitment.

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- (b) How important is it for Plateau plc to have a person specification when recruiting for a Market Research Assistant? Give reasons for your answer.

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(c) Fig. 2 shows the Balance Sheet for Plateau plc at 31st March 2010.

	(£000)	(£000)
Fixed Assets		3000
Current Assets	60	
Current Liabilities	30	
Working Capital		<input type="text"/>
Net Assets		3030
Shareholders Funds		2500
Retained Profit		330
Long Term Liabilities		200
Capital Employed		<input type="text"/>

Fig. 2

(i) Calculate the value of working capital. Show your working.

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Calculate the value of capital employed. Show your working.

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(ii) Referring to Fig. 2, explain the meaning of the term 'long term liabilities'.

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- (d) Plateau plc can use both the Profit and Loss Account and the Balance Sheet to help make decisions about future expansion.

Which of these might be more useful to Plateau plc when making decisions like this? Give reasons for your answer.

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[Total: 20]

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