



**GENERAL CERTIFICATE OF SECONDARY EDUCATION
BUSINESS STUDIES**

A293

Production, Finance and the External Business Environment

Candidates answer on the Question Paper

OCR Supplied Materials:

- Clean copy Case Study

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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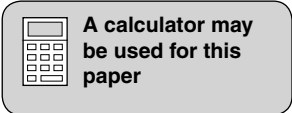
Centre Number						Candidate Number				
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INSTRUCTIONS TO CANDIDATES

- 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).
- Make sure that all your answers relate to the pre-released case study material.

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 **90**.
- The quality of your written communication will be taken into account when marking your answers to questions labelled with an asterisk (*).
- This document consists of **16** pages. Any blank pages are indicated.



Answer **all** questions.

- 1 (a) (i) Using the information provided in Fig.1 of the Case Study, state the sales region in which CAS plc makes most sales.

.....
 [1]

- (ii) Using the data provided in Fig. 2 of the Case Study, state what has happened to the **value** of sales of CAS plc between 2004 and 2009.

.....

 [4]

- (b) Read the statements below about CAS plc. Tick (✓) **three** statements which show that CAS plc operates in a global market.

Statements	Tick (✓) three statements that show CAS plc is in a global market.
CAS plc sells goods in different parts of the world.	
CAS plc designs models in its factory in Bowton.	
Businesses and consumers will benefit from a fall in the interest rate in 2009.	
CAS plc has recruited workers from Europe.	
The accounts of CAS plc are done by a business in India.	
CAS plc produces and sells goods in the UK.	

[3]

(c) The Sales Director, Jodie Smith, stated that 2009 was a difficult year for sales (lines 17-18).

Explain how rising unemployment and falling consumer incomes might affect the following:

The sales of models of CAS plc

.....
.....
.....
.....

The prices that CAS plc can charge for the models it sells.

.....
.....
.....
..... [4]

(d) Jodie Smith was also concerned about the merger between businesses A and D which created AD plc (lines 21-22). AD plc may achieve economies of large scale production.

(i) State what will happen to the average costs of production at AD plc if it achieves economies of large scale production.

.....
..... [1]

(ii) The paragraph below describes different kinds of economies of scale. Complete the paragraph below using **three** of the words that are given.

specialist business financial technology

A large business is able to run more efficiently than a small business as it can employ managers. As it produces large quantities of goods it can use up to date which reduces its manufacturing costs. Banks are also able to lend money to a large business at a lower rate of interest than they would give to a small business helping the large business to achieve economies of scale. [3]

- 2 (a) Fig. 3 in the Case Study refers to the estimated fixed and variable costs of production. The following table lists some costs that CAS plc will have to pay when producing the Russell Steam-roller. Tick (✓) in the column next to each of the costs to show if it is a fixed or a variable cost. The first one has been done for you.

Cost	Fixed Cost	Variable Cost
The cost of designing the Russell Steam-roller.	✓	
The metal to make the Russell Steam-roller.		
The electricity used to power the machines that make the Russell Steam-roller.		
The rent on the factory in which the Russell Steam-roller will be made.		
The cost of transporting the finished model Russell Steam-rollers to the wholesalers.		

[4]

- (b) The Marketing Manager, Adam Goldstein, is now confident that CAS plc will be able to sell 10,000 Russell Steam-rollers. Use the information in Fig. 3 of the Case Study to calculate the following costs of producing 10,000 Russell Steam-roller models if they are **made in the UK**:

The total fixed cost = [1]

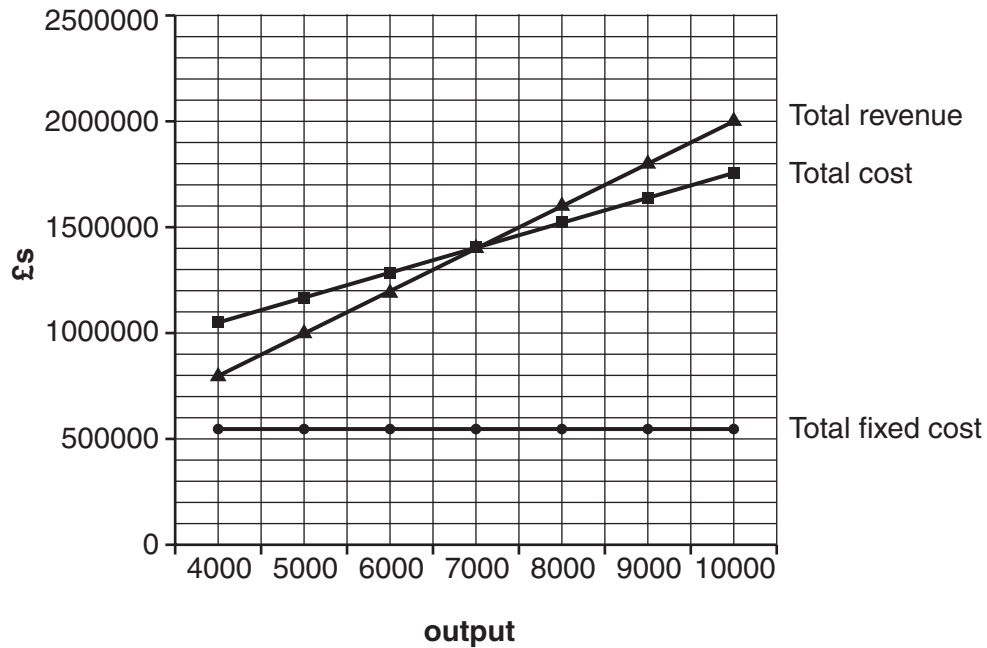
The total variable cost (output × variable cost per unit) = [1]

The total cost (total fixed cost + total variable cost) = [1]

Average cost per unit (total cost ÷ output) = [1]

- (c) The graph below is the break-even forecast for the first year in which the Russell Steam-roller will be sold if it is made in the UK.

Break-even forecast – The Russell Steam-roller – First Year of UK manufacture



Use the data in the break-even forecast to answer the following questions:

- (i) What is the total revenue from selling 5000 Russell Steam-rollers?
 [1]
- (ii) How many Russell Steam-roller models must be sold to break even?
 [1]
- (iii) Calculate how much profit CAS plc would make if 9500 Russell Steam-rollers were sold. Show your working.

 [2]

(d) Using the information from Report 1 and Fig. 3 in the Case Study, calculate the break-even output if the Russell Steam-roller models were made in China. Show your working.

.....
.....
.....
.....
.....
..... [3]

(e) Evaluate the problems for a business such as CAS plc of using break-even analysis when planning for the future.

.....
.....
.....
.....
.....
..... [3]

(f) The Managing Director, Martin Morris, thinks that CAS plc may benefit from introducing new technology (lines 66-67).

State and explain two advantages and two disadvantages to CAS plc that may result from introducing new technology.

Advantage 1
.....
.....
.....

Advantage 2
.....
.....
.....

Disadvantage 1

.....

.....

.....

Disadvantage 2

.....

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..... [8]

(g) Martin Morris also thinks that CAS plc may benefit from introducing more sustainable work practices into its offices in Bowton (lines 67-69).

Using examples, explain how CAS plc could benefit from introducing more sustainable work practices into its offices.

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..... [4]

[Total: 30]

3 (a) The Finance Manager, David Leung, is in favour of producing the Russell Steam-roller in a factory in China. This has led to a discussion about ethical issues in business.

(i) State **one** possible ethical issue that may result from producing models away from the UK.

.....
..... [1]

(ii) Explain whether CAS plc should try to be an ethical producer.

.....
.....
.....
..... [2]

(iii) Identify **two** stakeholders in CAS plc who may benefit if it produces the Russell Steam-roller in China. Explain how each one will benefit.

Stakeholder 1

How they benefit

.....
.....

Stakeholder 2

How they benefit

.....
..... [4]

(iv) Identify **two** stakeholders in the UK who may suffer if CAS plc produces the Russell Steam-roller in China. Explain how each one will be affected.

Stakeholder 1

How affected

.....

.....

Stakeholder 2

How affected

.....

..... [4]

15
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