

**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 6 June 2011
Morning**

Duration: 1 hour 30 minutes



Candidate forename		Candidate surname	
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Centre number						Candidate number				
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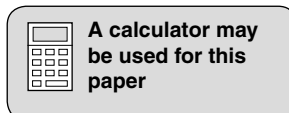
MODIFIED LANGUAGE

INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- 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).
- Answer **all** the questions.
- Do **not** write in the bar codes.
- 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) Complete the sentences below using **four** of the words provided.

costs income low sales spend

During the years 2000 to 2007 unemployment was which meant that consumers had a lot of disposable This would have been good for businesses such as Lathom’s Dairy because people had more money to This meant the of cheeses were high. [4]

(b) Using the data in Extract 1, lines 6-9, calculate the rise in unemployment in East Moorshire in the period 2008 – 2010. Show your working.

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

(c) (i) Tick (✓) the correct definition of an example of ‘inward investment.’ (Extract 1, line 11)

An example of inward investment is when	Tick (✓) the correct definition
people put savings in local banks.	
UK firms invest in their own business.	
foreign firms set up in the UK.	

[1]

(ii) Explain **two** ways in which inward investment might benefit East Moorshire.

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..... [4]

- 2 (a) (i) Using Fig. 1 in Extract 2, which was Lathom's Dairy highest selling cheese in 2010?
..... [1]
- (ii) Using Fig. 1 in Extract 2, calculate the difference in sales between Creamy Moorshire cheese and Tasty Moorshire cheese sold by Lathom's Dairy in 2010. Show your working.
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..... [2]
- (b) Using Fig. 2 in Extract 2, what happened to the **value** of sales of cheese to supermarkets in 2010 compared to 2007?
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..... [4]

- (c) (i) Lathom's Dairy charges £26 for one of the Tasty Moorshire Cheeses it exports. If the current rate of exchange is £1 = 1.5US\$, calculate how much one cheese will cost a customer in the United States of America in US\$. Use the table below to help you.

Price of Cheese in £s	Price of Cheese in US\$
£26	26 × 1.5 —— = US\$ _____

[1]

- (ii) It is forecast that the value of the pound will rise to £1 = 1.8US\$ in 2012. Assess the extent to which this change might affect the total export sales of Tasty Moorshire Cheese by Lathom's Dairy.

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..... [4]

- (e) Using Extract 4, identify and explain which method of production is used to make cheese at Lathom's Dairy.

Method of production

Explanation

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..... [2]

- (f) (i) Using Extract 5, other than by a wind turbine, explain other ways Lathom's Dairy has tried to improve the environment.

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..... [2]

- 3 (a) (i) Using Fig. 5 in Extract 6, tick (✓) to indicate if the following statements are true or false.

Statement	(✓) True	(✓) False
The cash flow forecast shows the expected income and expenditure for Wright's Farm for the three months July to September 2011.		
In July income from sales of goods will be greater than total expenditure.		
In September, Wright's Farm is forecast to have £1000 to carry forward to start trading in October.		
The balance carried forward at the end of July shows a profit of £1400.		

[4]

- (ii) Using Fig. 5 in Extract 6, evaluate whether an overdraft is the best solution to the forecast cash flow position at the end of August.

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[6]

(iii) State **three** limitations of a business such as Lathom's Dairy using a cash flow forecast to make business decisions.

1

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3 [3]

(b) If Lathom's Dairy decides to mass produce Bowton Blue cheese it will need to finance the building of the factory extension.

(i) Complete the sentences below using **three** of the words provided.

instalments interest rate terms

Using a mortgage to pay for the factory extension means that Lathom's Dairy can repay the money in monthly However, it will also have to pay which means it will pay back more than more than it borrowed. The extra amount the business will pay will depend on the of interest charged for the mortgage. [3]

(ii)* As well as the factory extension, Lathom’s Dairy will have to finance the new, automated cheese-making machinery. Some of the factors which businesses consider when deciding how to finance an investment are given below.

- Does interest have to be paid?
- Can the finance be paid off over a long period of time?
- Will the business own the machinery?
- How costly is the method of finance?
- Does a deposit have to be paid?

Using this information, and any other information which you think is relevant, recommend whether Lathom’s Dairy should lease the cheese-making machinery or use a bank loan to purchase it. Give reasons for your recommendation.

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[8]

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