

<b>Candidate forename</b>		<b>Candidate surname</b>	
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<b>Centre number</b>						<b>Candidate number</b>				
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**OXFORD CAMBRIDGE AND RSA EXAMINATIONS  
GENERAL CERTIFICATE OF SECONDARY EDUCATION**

**A293**

**BUSINESS STUDIES**

**Production, Finance and the External  
Business Environment**

**MONDAY 6 JUNE 2011: Morning**

**DURATION: 1 hour 30 minutes**

**SUITABLE FOR VISUALLY IMPAIRED CANDIDATES**

**Candidates answer on the question paper.**

**OCR SUPPLIED MATERIALS:**

**Clean copy Case Study**

**OTHER MATERIALS REQUIRED:**

**Calculators may be used**

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

**READ INSTRUCTIONS OVERLEAF**

## **INSTRUCTIONS TO CANDIDATES**

- **Write your name, centre number and candidate number in the boxes on the first page. 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.**
- **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 (\*).**

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**Answer ALL questions.**

- 1 (a) Use FOUR of the five words provided below to complete the sentences that follow.**

**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 \_\_\_\_\_ which meant the \_\_\_\_\_ of cheeses were high. [4]**

- (b) Using the data in Extract 1, lines 10-17, calculate the rise in unemployment in East Moorshire in the period 2008 – 2010. Show your working.**

\_\_\_\_\_  
\_\_\_\_\_ [2]

**(c) (i) Tick (✓) the statement that is an example of 'inward investment.' (Extract 1, line 20)**

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

**[1]**

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

**1.** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**2.** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**[4]**

**(d) The statements below are about the effects which spending cuts by East Moorshire County Council may have on the community. Tick (✓) against each statement to show if it is true or false.**

<b>Statement about cuts in spending by East Moorshire County Council</b>	<b>(✓) True</b>	<b>(✓) False</b>
<b>Cuts in spending may lead to less services for people in East Moorshire.</b>		
<b>Cuts in spending will mean that businesses in East Moorshire may have to pay more taxes.</b>		
<b>Cuts in spending will not affect the demand for services provided by businesses in East Moorshire.</b>		

**[3]**

**(e) Evaluate the extent to which the growth in population (Extract 1, lines 7-10) may have benefited East Moorshire.**

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**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.**

\_\_\_\_\_  
\_\_\_\_\_ [2]

**(b) Using Fig. 2 in Extract 2, what happened to the VALUE of sales of cheese to supermarkets in 2010 compared to 2007?**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ [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	$  \begin{array}{r}  26 \\  \times \\  1.5 \\  \hline  \end{array}  $ = 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]

- (d) (i) Fig. 3 in Extract 3 shows that the workers at Lathom's Dairy have specialist roles, such as the Senior Accountant.**

**State TWO advantages to Lathom's Dairy of employing specialist workers.**

**Advantage 1**

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**Advantage 2**

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[2]

- (ii) From Extract 3 give ONE example of a worker at Lathom's Dairy who has become multi-skilled since 2008.**

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[1]







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

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**[2]**

- (ii)\* Quality of written communication will be taken into account.  
Recommend whether or not Lathom's Dairy should install a wind turbine on its land in order to generate electricity. Give reasons for your answer.**

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

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

**[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 to a business such as Lathom's Dairy of using a cash flow forecast when making business decisions.**

1 \_\_\_\_\_

2 \_\_\_\_\_

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) Use THREE of the four words provided below to complete the sentences that follow.**

**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)\* Quality of written communication will be taken into account.**

**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]**

**(c)\* Quality of written communication will be taken into account.**

**Using Extract 7, and any other information which you think is relevant, recommend whether or not Lathom’s Dairy should produce hand-made or mass produced Bowton Blue cheese. Give reasons for your recommendation.**

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