

Candidate Name	Centre Number	Candidate Number

WELSH JOINT EDUCATION COMMITTEE
General Certificate of Secondary Education



CYD-BWYLLGOR ADDYSG CYMRU
Tystysgrif Gyffredinol Addysg Uwchradd

122/02

BUSINESS STUDIES

PAPER 2 (D-A*)

HIGHER TIER

P.M. THURSDAY, 15 June 2006

(2 Hours)

For Examiner's use only		
Question	Maximum mark	Mark awarded
1.	20	
2.	20	
3.	20	
4.	20	
5.	20	
QWC	5	
Total	105	

ADDITIONAL MATERIALS

Calculators may be used.

INSTRUCTIONS TO CANDIDATES

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** the questions.

Write your answers to all the questions in the spaces provided in this question-and-answer booklet.

INFORMATION FOR CANDIDATES

The mark allocation for each part of a question is shown in brackets.

You will be awarded marks for the quality of written communication.

No certificate will be awarded to a candidate detected in any unfair practice during the examination.

Answer **all** the questions in the spaces provided.

1. Read the article below and answer the questions which follow.

Jeans giant in trademark battle

Howies, a small clothes manufacturing company in West Wales, is facing a legal battle with one of the biggest jeans manufacturers in the world. Howies, which has just five staff, has been challenged by Levi Strauss and Co which employs 12,000 people. The American business is accusing the Welsh firm of copying the famous Levi **brand** red label by placing a grey label on the rear back pocket of its jeans. Levi Strauss first patented its right to place its logo on the right back pocket in America in 1938. Now it has written to the Welsh firm saying that the Howies brand could cause confusion amongst customers.

Howies makes about 15,000 T-shirts and 2,000 pairs of jeans a year and would like to produce more by employing more workers and moving to a new location.

Adapted from www.bbc.co.uk 1 May 2003

- (a) The Levi Strauss brand is important to that company. Why is a brand so important in the marketing of a product? [4]

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Howies also makes clothing for bikers and skateboarders. The owners of Howies have strong ethical policies e.g. they use organic cloth, which has not been treated by pesticides and its workers are given "too nice to work days" where they are encouraged to go out biking and skateboarding.

- (b) Explain why some businesses, such as Howies, have strong ethical policies. [4]

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(c) Apart from advertising, briefly describe **two** steps which Howies will need to take to recruit the right type of person if it employs more people. [4]

(i)

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(ii)

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"In January 2002 we sent out our business plan to friends in the hope of raising some money to expand our business. We had a dozen or so investors, many of whom were parting with their savings to help us live our dream."

Adapted from www.howies.co.uk

(d) Suggest and evaluate **other ways** in which Howies could raise the money to expand its business. [8]

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2. Read the article below and answer the questions which follow.

New jobs at organic food firm

Rachel's Organic was founded by farmers Gareth and Rachel Rowlands in 1984. Its success has reflected the rapid increase in demand for organic food and drink over the last ten years. The business was sold to an American organic milk producer, Horizon Organic, in 1999.

A three million pound extension to the dairy will create fifty new jobs and treble capacity. This will allow Rachel's Organic in Aberystwyth to target mainland Europe. At present Rachel's Organic's yogurts, milk, cream, and butter are sold throughout the UK and are served in top London hotels. Managing director Neil Burchell said the extension was vital for the company's long-term plans. "Working with the Welsh Development Agency we intend to break into the market in continental Europe next year," he said.

As well as expanding into Europe the firm is also determined to extend the range of products it sells.

Adapted from www.bbc.co.uk 11 November 2004

(a) Packaging is obviously important to Rachel's Organic. Why is packaging important in the selling of products by Rachel's Organic? [4]

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(b) Suggest and explain reasons why a large American business such as Horizon Organic wanted to take over a smaller business, such as Rachel's Organic. [4]

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(c) Explain why firms, such as Rachel’s Organic, are always attempting to improve their range of products. [4]

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(d) Evaluate Rachel’s Organic’s plan to sell its products in Europe. [8]

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3. Read the article below and answer the questions which follow.



In the late 1990s Nicholas Hayek, a Swiss businessman, worked with the well-known luxury car manufacturer Daimler to finance and produce a vehicle which was sold under the Smart car brand.

The low price, two-seater Smart car was Daimler’s attempt to enter the small car market and to break out of the luxury market.

Adapted from www.bbc.co.uk 19 December 1999

(a) Suggest and explain the market segment at which the Smart car was aimed. [2]

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(b) Much of the work in designing the Smart car would have involved Computer Aided Design (CAD). Suggest and explain **one** advantage and **one** disadvantage to the manufacturers of using **CAD**. [4]

Advantage

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Disadvantage

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- (c) Suggest and explain ways in which Daimler could try and make certain that it produced high quality products. [6]

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Loss-making Smart car ‘is not doomed’

The Managing Director of Daimler has denied speculation that it may sell or even close the loss-making Smart plant. The distinctive car has not made a profit since it was first produced in 1998 but **the existence of Smart is not at risk**. A company spokesman said the closure or sale of the Smart plant is not under consideration, but the group is **discussing plans to make the company profitable**.

Adapted from www.bbc.co.uk 29 October 2004

- (d) Suggest and explain **one** method of communication that the Managing Director of Smart cars could use to inform employees that “**the existence of Smart is not at risk**”. [2]

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(e) Suggest and evaluate ways in which Smart cars could become profitable.

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4. The Aga Group plc manufactures a range of products used in domestic kitchens and catering businesses. Its most famous product is the Aga cast iron oven. The Balance Sheet for the business for 31 December 2002 and 2003 is shown below. Study it and answer the questions which follow.

The Balance Sheet for Aga Group plc for 31 December 2002 and 2003

	2003	2002
	£m	£m
Total fixed assets	220	204
Current assets		
Stocks	61	52
Debtors	103	93
Cash at bank and in hand	52	79
Total current assets		224
Current liabilities		
Creditors	100	97
Short term borrowing	2	23
Total current liabilities	102	120
Net current assets	114	
Long term liabilities	52	36
Total net assets employed	282	272
Capital and reserves		
Share capital	92	92
Reserves		38
Profit and loss account	152	142
Total capital employed	282	272

Adapted from Aga Group plc Annual Report and Accounts 2003

- (a) Give **one** example of a fixed asset which Aga Group plc might own. [1]
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- (b) Current assets include stock. Suggest **two** types of stock Aga Group plc might hold. [2]
- (i)
- (ii)
- (c) Complete the shaded areas in the balance sheet above. [3]

(d) Identify **two** stakeholders who would be interested in the balance sheet and explain why they have an interest. [6]

(i)

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(ii)

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Aga Group plc's future success will in part depend on the quality of the people employed.

(e) Evaluate ways in which the Aga Group plc could improve the performance of its employees. [8]

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5. David and Jane Chang run a guest house at a resort on the North Wales coast. The guest house can accommodate up to twenty five guests per night. They have calculated that their fixed costs are £300 per night and that each guest will cost them £5 per night. David and Jane charge £20 per guest per night.



- (a) Give an example of a variable cost David and Jane will have to pay and explain why the cost you have chosen is a variable cost. [2]

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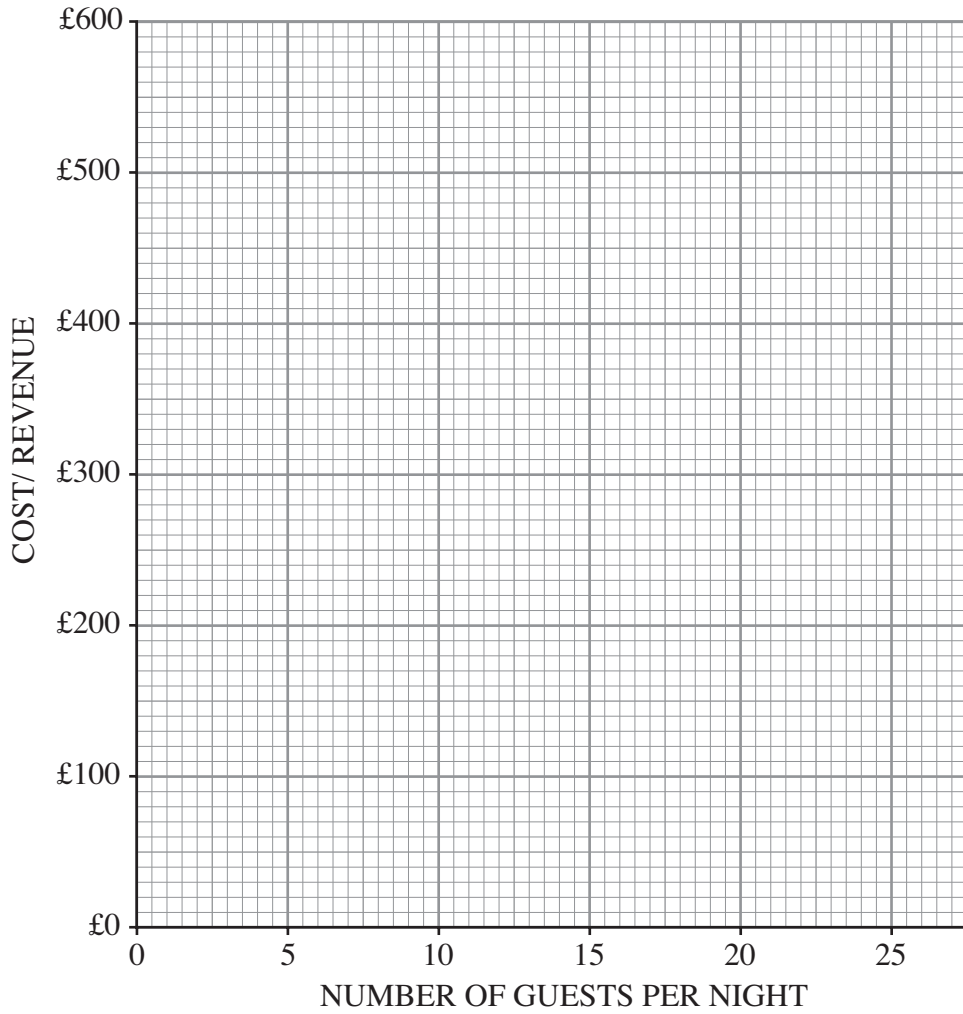
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- (b) Complete and label the break-even chart opposite by drawing the **total revenue** and **total cost** lines. [4]

You **may** use the grid below to help you. **This grid will not be marked.**

NUMBER OF GUESTS	FIXED COST	VARIABLE COST	TOTAL COST	TOTAL REVENUE



(c) How many guests will need to stay each night if the guest house is to break-even? [1]

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(d) How much profit will David and Jane make when the guest house is full? [1]

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Turn over.

- (e) David and Jane are considering changing the amount they charge. Evaluate pricing strategies they could adopt. [6]

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- (f) A theme park is to be opened within five miles of David and Jane’s guest house. Assess the likely impact that this will have on their business. [6]

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