

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, 14 June 2007

(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. Fiona Howe is the Managing Director and main shareholder in Posh Paws Ltd. The business provides grooming services for dogs and cats in a shop on the outskirts of a large town. The business also has a mobile unit which visits pets in their owners' homes.



The company employs ten staff who are each paid £9 per hour for a forty hour week. Overtime pay is paid at £13.50 per hour.

- (a) In one busy week the workers each work for 50 hours. What is the total wage bill paid by the company to its workers? (Show your workings.) [2]

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- (b) An increase in the number of customers means that Fiona needs to expand the business. Suggest and explain **two** appropriate sources of finance she could consider to raise the money. [4]

- (i)

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- (ii)

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- (c) Fiona is able to obtain enough money to either extend the shop or buy a new van. She decides to extend the shop. Use this example to explain what is meant by the term **opportunity cost**. [2]

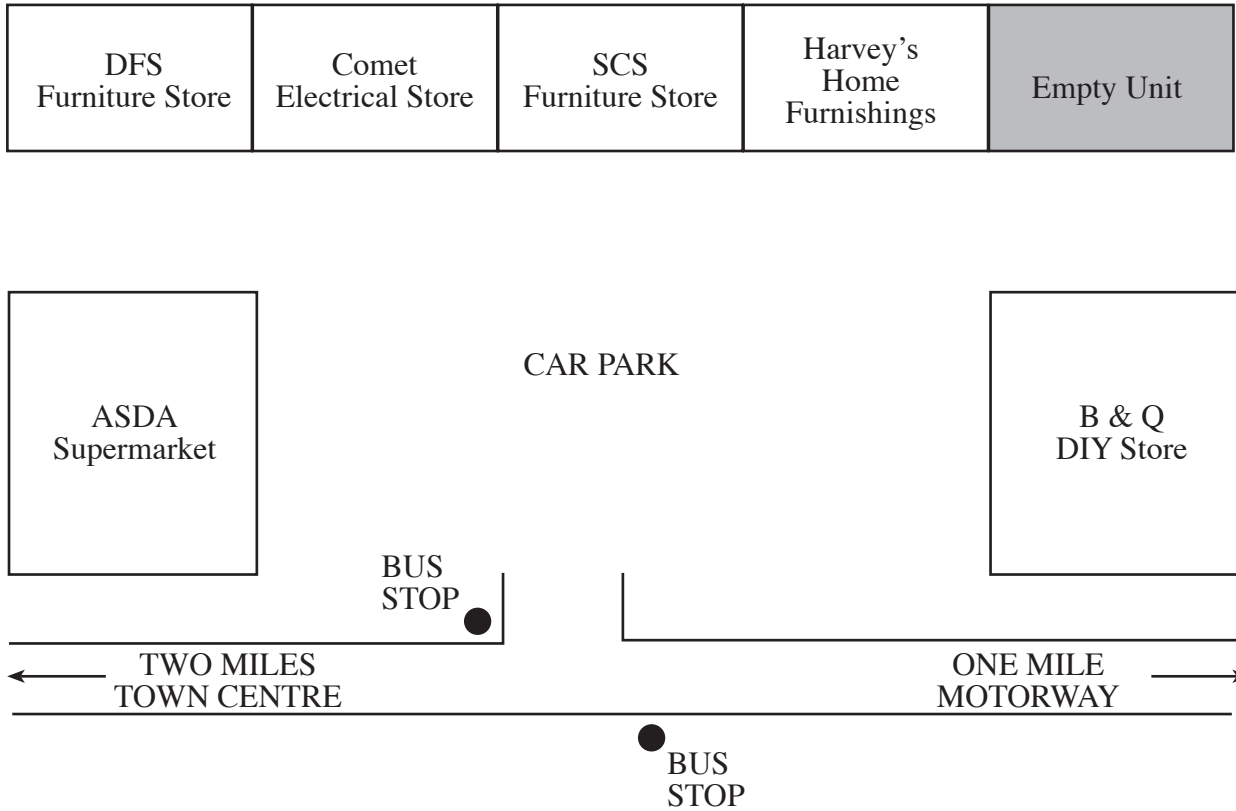
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2. Below is a map showing a retail park two miles from the centre of a medium-sized Welsh town.



(a) Suggest and explain **one** advantage and **one** disadvantage to SCS Furniture Store of being located at this retail park. [4]

Advantage

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Disadvantage

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(b) Explain how this retail park might affect businesses in the town centre. [4]

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(c) SCS sells its furniture from its many shops throughout the United Kingdom. Explain **two economies of scale** from which it may gain. [4]

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(ii)

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3. Whitbread plc is the United Kingdom’s leading hospitality and leisure company, owning the top brands in hotels, restaurants and health and fitness clubs. Its brands include:

Premier Travel Inn	The UK’s biggest hotel brand, with 29,000 rooms and more than 460 hotels.
David Lloyd Leisure	With hundreds of thousands of members across 56 clubs, David Lloyd Leisure is the UK’s number one health and fitness club brand.
Whitbread plc Restaurant Brands including: Brewers Fayre Costa Beefeater TGI Friday	Whitbread plc is one of the UK’s biggest providers, operating more than 1,000 outlets.



Whitbread plc runs the restaurant and bar TGI Friday as a franchisee of the American company, Carlson.

(a) Suggest and explain **two** reasons why Whitbread plc buys into the TGI Friday franchise rather than opening restaurants under its own brand name. [4]

(i)

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(ii)

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Despite being part of a large business TGI Friday suffered disappointing sales in 2006.

(b) Suggest and explain **two** pricing strategies that TGI Friday could use to increase sales. [4]

(i)

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(ii)

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(c) Suggest and explain **one** effect that **each** of the following events may have on Whitbread plc: [6]

(i) a fall in interest rates;

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(ii) an increase in the tax on company profits;

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(iii) an increase in wage rates.

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4. COSI is a business few people would have heard of as all of its products are sold under other business brand names. COSI was set up in South Africa in 1992 as a packaging company. Its early success led to it winning contracts to package products made by Ponds Cosmetics. In 1998 it became interested in the British market and this led to the **acquisition** of two manufacturers in England. These two companies produced cosmetics and toiletries for a number of businesses such as Body Shop. In 2001 COSI took over Revlon’s cosmetics and toiletries factory in South Wales.

(a) (i) State what is meant by the term **acquisition**. [1]

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(ii) Give **two** reasons why an acquisition might take place. [2]

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II

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(b) What is the name given to a business which operates in many countries? [1]

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COSI claims that there has been a significant improvement in the quality of its products in recent years.

(c) Outline **two** ways in which COSI can make sure that the quality of its products improves.[4]

(i)

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(ii)

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5. Redrow plc was formed in 1974. It started out as a small engineering company located in North Wales. During the early 1980s, Redrow Homes began building private houses. Over the years, the company has continued to expand.

Adapted from <http://www.insure121.com/home-redrow.htm>

Below is part of the Profit and Loss Account for Redrow plc.

PROFIT AND LOSS ACCOUNT REDROW PLC		
	2005 £million	2004 £million
Turnover	780	670
Cost of Sales		497
Gross Profit	196	173
Expenses	42	
Net Profit	154	134

Adapted from <http://www.redrow.co.uk>

- (a) Suggest an expense which might be paid by a building firm such as Redrow plc. [1]

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- (b) Complete the shaded areas in the Profit and Loss Account. [2]

- (c) Using the Profit and Loss Account, comment on Redrow plc's profitability between 2004 and 2005. [3]

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(f) Redrow plc recognises the importance of treating its customers and employees well. It is also aware of the legal responsibilities it has to its workers and its customers. Explain (i) **one** legal responsibility Redrow plc has to its workers and (ii) **one** legal responsibility it has to its customers. [4]

(i) Workers

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(ii) Customers

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Total Mark