

Candidate Name	Centre Number	Candidate Number
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GCSE

122/02

BUSINESS STUDIES

PAPER 2

HIGHER TIER

P.M. TUESDAY, 10 June 2008

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.

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

1. Fred Little and Carol Taylor are business partners who sell **walking** and **cycling** equipment in their shop in a mid Wales town.

(a) Suggest **and** explain **two** advantages to Fred and Carol of being in a business partnership rather than operating as sole traders. [4]

(i)

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(ii)

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Market research on the internet has shown that the five most popular sports, games or physical activities that adults say they take part in are:

Activity	Percentage of adults who take part
Walking	46%
Swimming	35%
Keep fit/yoga - including aerobics and dance exercise	22%
Cycling	19%
Cue sports - billiards, snooker and pool	17%

Adapted from www.statistics.gov.uk

The total is greater than 100% as some adults said that they take part in more than one activity.

(b) What does this data show which might be of importance to Fred and Carol? [2]

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(c) Suggest **and** describe another type of market research Fred and Carol could use to find out whether there is a demand for their shop in the local area. [2]

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Fred and Carol make two big decisions. Firstly they decide to set up a private limited company because they believe there will be many advantages, including the benefit of *limited liability*, but few disadvantages.

(d) (i) Explain why *limited liability* will be of benefit to Fred and Carol. [2]

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(ii) Explain **one** possible **disadvantage** to Fred and Carol of becoming a private limited company. [2]

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The second big decision made by Fred and Carol is to expand by buying and equipping the shop next door to theirs.

(e) Suggest and evaluate ways in which Fred and Carol could raise the finance for their expansion plans. [8]

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Total Mark
Turn over.

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

IMERY'S STRIKE THREAT CALLED OFF

Union members at Imerys, a china clay firm in the south west of England, have voted against industrial action. China clay is extracted from quarries and is mainly used to whiten and give a glossy coating to paper. The firm employs about 2,000 people in the south west of England but plans to shift some operations to Brazil to reduce costs.

The company is the world's largest producer of china clay, operating in 250 locations in 43 countries.

The Transport and General Workers Union called a ballot of its 900 members after the firm announced that 800 jobs were being lost in Cornwall and Devon. The company said the cuts were necessary and would help ensure the future of the rest of its operations in the south west of England.

Adapted from <http://newsbbc.co.uk> Friday, 23 February 2007

- (a) In which sector - primary, secondary or tertiary - does Imerys operate? [1]

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- (b) Imerys operates in 250 locations in 43 countries. What name is given to a business which operates in many countries? [1]

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- (c) Suggest and explain **two** advantages to be gained by businesses which operate in many countries. [4]

(i)

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(ii)

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(d) Outline **three** ways in which trade unions, such as the Transport and General Workers Union, can help their members. [6]

(i)

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(ii)

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(iii)

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(e) Discuss the effects on the local communities if Imerys were to close down its operations in Cornwall and Devon. [8]

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Total Mark
Turn over.

3. In 1792 Henry Smith, and his wife Anna, opened a small newspaper stall in London. By 1828 the business was being run by their son William Henry Smith and was known as W H Smith.

Today W H Smith plc has 672 stores across the UK. They employ 23,120 people across the UK and they sell 1.5 million magazines every week and over 40 million books per year.

Extracts from the Balance Sheets for the business as at 31 August 2006 and 2005 are shown below. Study these and answer the questions which follow.

BALANCE SHEETS FOR W H SMITH PLC 2006 and 2005

£m	2006	2005
Fixed Assets	248	280
Stocks	143	148
Debtors	69	75
Cash	66	39
Total Current Assets		262
Total Assets	526	542
Current Liabilities	255	296
Long Term Liabilities	103	141
Total Liabilities	358	
Total Net Assets	168	105
Total capital employed	168	105

Adapted from W H Smith Annual Report and Accounts 2006

- (a) Complete the shaded areas in the balance sheet above. [2]
- (b) Give **one** example of a fixed asset and **one** example of a current liability. [2]
- (i) Fixed asset
- (ii) Current liability
- (c) What do the figures on the balance sheet suggest about the financial performance of W H Smith between 2005 and 2006? [4]

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W H Smith plc benefits from economies of scale.

(d) (i) What is meant by the term **economies of scale**? [2]

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(ii) Explain how W H Smith plc might benefit from **marketing** economies. [2]

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(e) Evaluate ways in which W H Smith can use **product** and **place** as a means of increasing its sales. [8]

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Total Mark _____

Turn over.

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

Ifor Williams Trailers Ltd. is one of the leading trailer manufacturers in the UK. It was established in 1958 and has three main factories in North Wales producing over seven hundred trailers every week and has to date manufactured over four hundred thousand trailers.

Ifor Williams Trailers Ltd. makes a standard range of trailers as well as manufacturing products to meet individual needs.

Adapted from <http://www.ifor-williams-trailers.co.uk>

(a) Suggest and explain the **method of production** Ifor Williams Trailers Ltd. could use for making standard trailers and individually designed trailers.

(i) Standard trailers [2]

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(ii) Individually designed trailers. [2]

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The company aims to produce high quality trailers using a Computer Aided Manufacturing (CAM) system.

(b) Outline **one** advantage and **one** disadvantage for Ifor Williams Trailers Ltd. of using a Computer Aided Manufacturing (CAM) system. [4]

Advantage

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Disadvantage

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Ifor Williams Trailers Ltd. is selling more trailers abroad.

(c) Explain **two** problems Ifor Williams Trailers Ltd. might face in trading abroad. [4]

(i)
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(ii)
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(d) **Apart** from changing its marketing strategies, suggest and evaluate ways in which Ifor Williams Trailers Ltd. could expand its business. [8]

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Turn over.

- 5. Blockbuster UK sells and rents out films and games. The business continues to develop and change. It is no longer just a DVD rental store though rental is the main source of revenue for the business. Now they also sell drinks, sweets and ice creams.

Blockbuster was founded in Dallas, Texas in 1985. The first Blockbuster store in the UK opened in March 1989 and now there are around 700 stores and about 4.2 million members.

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

- (a) Blockbuster is a retailer. Explain **two** functions of retailers. [4]

- (i)
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- (ii)
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- (b) Suggest and explain **two** advantages for Blockbuster of diversifying into selling drinks, sweets and ice creams. [4]

- (i)
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- (ii)
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Ever since the introduction of DVDs in 1998, sales figures have grown rapidly. The increase in sales of DVDs has been faster in the UK than in the USA. In 2001, the film *Gladiator* became the first film ever to sell over one million copies. However, while sales of DVDs continue to grow, the rate of growth is slowing down.

Adapted from www.bva.org.uk

- (c) Using your knowledge of the **product life cycle**, describe and explain the pattern of sales for DVDs. [6]

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(d) Imran Mumtaz has just graduated from business school. He is considering setting up his own DVD sales and rental shop close to an existing Blockbuster in a large town in South Wales.

Evaluate whether or not this is a good idea for Imran. [6]

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Total Mark
