

Read this page, then answer the questions which follow.

Context

Jo owns a shop that sells new electrical goods such as radios, refrigerators and washing machines. Jo's shop is the only one of its kind in a small town in the north of England. There are no other towns nearby.

A nearby factory used to employ many people in Jo's town. This factory has closed, and there are many unemployed people locally. Jo believes that these people cannot afford to buy expensive new electrical goods. However, she thinks they would pay someone to repair their electrical goods. Jo's brother, Rin, is an electrician. Jo and Rin may go into partnership in the shop, Jo selling new electrical goods and Rin repairing electrical goods brought in by customers. Jo plans to carry out some market research to help her make these decisions.

Most of the goods sold in Jo's shop are made by *Pepper plc*. This company is a large-scale business, employing over 200 people at its factory located in Birmingham. Birmingham is a city in the middle of England. Birmingham is the second largest city in England.



Washing machine



Refrigerator



Radio



Answer ALL questions.

Indicate your answer by marking the box (☒). If you change your mind, put a line through the box (☒) and then indicate your new answer with a cross (☒).

1. (a) (i) In '*Pepper plc*', the term **plc** stands for

- A permanent loan charges
- B publicity linked communication
- C product life cycle
- D public limited company

(ii) Shares are examples of which factor of production for *Pepper plc*?

- A Capital
- B Enterprise
- C Labour
- D Land

(iii) *Pepper plc*'s Accountant will treat business rent and rates as

- A direct costs
- B fixed costs
- C total costs
- D variable costs

(iv) Employees and the local community are examples of *Pepper plc*'s

- A directors
- B owners
- C stakeholders
- D suppliers

(v) A country may place a tax on some goods it imports. This is a

- A grant
- B loan
- C loss
- D tariff

(5)



(b) List **three** ways that Jo can measure the success of her business.

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(3)

(c) What is the difference between **market segment** and **market share**?

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(2)

Jo decides to use market research to find out what her customers want. There are two types of market research: **primary** (field) research and **secondary** (desk) research.

(d) Show, by ticking **one** box only in each case, whether each example below is primary or secondary research for Jo to use.

Example	Primary Research	Secondary Research
Jo uses government statistics from the internet		
Jo asks people in the street about their likes and dislikes		
Jo takes information from a magazine on electrical goods		
Jo observes customers while they are in her shop		
Jo telephones people at home to ask about a product she sells		
Jo studies a recently published report on consumer spending		

(6)



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(e) Consider how market research can help Jo discover whether there is a market for repairing electrical goods in her local town.

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(4)

(Total 20 marks)

Q1

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2. *Pepper plc* operates a system of budgeting.

(a) Describe **one** way that budgeting can help the directors of *Pepper plc* in their decision-making.

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(2)

The Finance Director at *Pepper plc* has produced the following figures.

<u>Current Assets</u>	<u>£000</u>
Stock of goods	300
Debtors (credit customers)	100
Cash in hand and at bank	50

<u>Current Liabilities</u>	
Creditors (suppliers on credit)	225
Taxation owing	75

(b) (i) Using these figures, calculate the Current Ratio and Acid Test Ratio.

Current Ratio = Current Assets: Current Liabilities
Acid Test Ratio = Current Assets – Stock: Current Liabilities

Current Ratio

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(2)

Acid Test Ratio

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(2)



(ii) To what extent will the information from these ratios help the Finance Director?

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(4)

The Finance Director at *Pepper plc* is hoping that the company will benefit from economies of scale.

(c) (i) Outline what is meant by **economies of scale**.

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(2)

(ii) Using the context on page 2, show why *Pepper plc* is likely to benefit from economies of scale.

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(2)



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(d) Analyse how *Pepper plc* could benefit from each of these economies of scale.

Technical

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(2)

Financial

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(2)

(e) How would **one** diseconomy of scale affect the work of *Pepper plc*?

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(2)

(Total 20 marks)

Q2

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3. Jo buys most of her new goods from *Pepper plc*.

(a) (i) Give **one** example of an appropriate source of finance for Jo, and **one different** example for *Pepper plc*.

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(2)

(ii) Give **one** example of appropriate use of profits for Jo, and **one different** example for *Pepper plc*.

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(2)

Jo is a sole trader. She is thinking of going into partnership with her brother, Rin.

(b) Outline **one** advantage and **one** disadvantage to Jo of becoming a partner rather than staying as a sole trader.

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(4)



(d) (i) Using an example from this organisation chart, explain the term **hierarchy**.

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(3)

(ii) Using an example from this organisation chart, explain the term **chain of command**.

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(3)

Turn over for question 3 (e)



Leave blank

(e) Identify the span of control of these employees.

(i) The Marketing Director.

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(1)

(ii) The Production Manager.

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(1)

Q3

(Total 20 marks)

TOTAL FOR PAPER: 60 MARKS

END

