Paper Reference

4 3 3 0 / 1 F

Paper Reference(s)

4330/1F

Edexcel IGCSE

Business Studies

Unit 1F

Foundation Tier

Thursday 13 November 2008 – Afternoon

Time: 1 hour 30 minutes

Materials required for examination
Nil

Items included with question papers
Nil

Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initials and signature.
Check that you have the correct question paper.
Answer ALL the questions. Write your answers in the spaces provided in this question paper.
Some questions must be answered with a cross in a box (☒).
If you change your mind about an answer, put a line through the box (☒) and then mark your new answer with a cross (☒).
Do not use pencil. Use blue or black ink.

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. **(2)**.
There are 3 questions in this question paper. The total mark for this paper is 60.
There are 12 pages in this question paper. Any blank pages are indicated.

Advice to Candidates

You will be assessed on your ability to organise and present information, ideas, descriptions and arguments clearly and logically, including your use of grammar, punctuation and spelling.

Turn over

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Read this page, then answer the questions which follow.

Context

In 1963 Ivan Morrison set up as a sole trader, making his own ice cream and ice lollies, and selling them from a van.

In the 1970s the business expanded. More vans were bought and drivers were employed during the warmer months of the year. In 1990 Ivan changed the business into a private limited company, *Nice Lolly Ltd*. Its factory and offices are located in the south of England, where land is very expensive. Ivan's son and daughter, Rayn and Gloria, are now employed as managers.

There is now large-scale production of ice cream, ice lollies and other frozen foods at *Nice Lolly Ltd*, and many different shops are supplied. The company also makes special ice cream products for special occasions such as birthday parties and company events. As a result of *Nice Lolly Ltd*'s success, Ivan is planning to open another factory.

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Answer ALL questions.

**For each of the questions (i) – (v), 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) The use of 'Ltd' in the name of *Nice Lolly Ltd* means that it has

   A limited liability for its debts   ☒

   B limited markets for its products   ☒

   C limited numbers of people employed   ☒

   D limited time left in business   ☒

   (ii) Customers and suppliers are examples of *Nice Lolly Ltd*'s

   A directors   ☒

   B managers   ☒

   C shareholders   ☒

   D stakeholders   ☒

   (iii) Size, turnover and the number of employees are ways for *Nice Lolly Ltd* to

   A advertise its products   ☒

   B control its assets   ☒

   C judge its success   ☒

   D pay its debts   ☒

   (iv) *Nice Lolly Ltd* collects primary and secondary data. This is known as

   A market orientation   ☒

   B market research   ☒

   C market segmentation   ☒

   D market share   ☒

(v) *Nice Lolly Ltd*'s products are recognised as different from competitors by

A   accounting   ☒

B   banking   ☒

C   branding   ☒

D   factoring   ☒

(5)

Nice Lolly Ltd is a private limited company. Ivan is considering changing it to a public limited company.

(b) Outline **two** differences between a private limited company and a public limited company.

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(4)

Ivan's son and daughter work at *Nice Lolly Ltd*. Rayn is the Marketing Manager, and Gloria is the Production Manager.

(c) (i) Give an example of **one** function that Rayn's Marketing Department in *Nice Lolly Ltd* will carry out.

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(2)

(ii) Give an example of **one** function that Gloria's Production Department in *Nice Lolly Ltd* will carry out.

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(2)

Nice Lolly Ltd benefits from marketing and other economies of scale.

(d) (i) What is the meant by the term 'economies of scale'?

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(2)

(ii) Give **two** examples of **marketing** economies of scale that *Nice Lolly Ltd* is likely to have.

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(2)

Ivan wants to open another factory. One factor that he needs to consider when deciding where to locate this factory is communications.

(e) List **three other** factors that Ivan should consider when deciding where to locate this factory.

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(3)

Q1

(Total 20 marks)

2. Ivan has now decided to locate the new factory in a town 50 kilometres from the present factory.

(a) Compare email and the telephone as methods of communication to use between the two factories.

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(6)

Ivan is bringing out a new 'healthy eating' luxury ice cream, to be made at the new factory. Ivan plans to use both internal and external recruitment to find employees to make the new ice cream.

(b) (i) Give **two** examples of how Ivan can recruit **internally** at the present factory for employees who will be prepared to move to the new factory.

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(2)

(ii) Give **two** examples of how Ivan can recruit **externally** for new employees.

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(2)

The competitors of *Nice Lolly Ltd* do not make any products that are similar to the new 'healthy eating' luxury ice cream. Ivan has decided to use a **skimming** pricing strategy.

(c) Why is this an appropriate pricing strategy for the new ice cream?

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(4)

Ivan plans to use the following 'below the line' techniques to promote the new 'healthy eating' luxury ice cream.

- A **free sample** of the new ice cream: this will be given to customers when they buy another *Nice Lolly Ltd* product in a shop.

- A **competition**: this will be posted, on a leaflet, to people chosen at random.

(d) Assess the suitability of **each** of these techniques for promoting the new 'healthy eating' luxury ice cream.

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(6)

Q2

(Total 20 marks)

3. Ivan has started to construct the next set of final accounts for *Nice Lolly Ltd*. There are some figures missing from these accounts, shown below.

Trading and Profit & Loss account

	£	£	
Sales		240 000	
Cost of sales (cost of goods sold)		80 000	
Gross profit			**(A)**
Power costs	10 000		
Selling expenses	12 000		
Other expenses	18 000		
Total expenses		40 000	
Net profit			**(B)**

(a) Calculate, and enter in the boxes, the missing figures for **(A)** Gross profit and **(B)** Net profit.

(2)

Ivan has calculated some financial ratios for *Nice Lolly Ltd*.

(b) What is the information that the **net profit ratio** gives Ivan?

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(2)

The final accounts of *Nice Lolly Ltd* for the last financial year contained the following.

	£
Gross profit	125 000
Net profit	40 000
Sales (Turnover)	200 000

(c) Using the formulae below, calculate the following ratios for *Nice Lolly Ltd*.

$$\text{Gross profit ratio} = \frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1} \qquad \text{Net profit ratio} = \frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$$

(i) Gross profit ratio

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(2)

(ii) Net profit ratio

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(2)

Ivan has the following information about two competitors.

Competitor	Gross profit ratio for 2007	Net profit ratio for 2007
Ices R Us	40%	10%
Ice Aye	35%	15%

(d) Assess, using all the information about both businesses, whether *Ices R Us* or *Ice Aye* performed better in 2007.

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(4)

Nice Lolly Ltd uses batch production to make its ice lollies, and flow (mass) production to make its ice cream.

(e) Describe the differences between batch production and flow production.

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(4)

Nice Lolly Ltd accepts orders for special occasions such as birthday parties. *Nice Lolly Ltd* uses job production for these orders, which are expensive to make compared to using batch or flow production.

(f) Analyse why these orders are expensive for *Nice Lolly Ltd* to make.

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(4)   **Q3**

(Total 20 marks)

TOTAL FOR PAPER: 60 MARKS

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