

Read this page, then answer the questions which follow.

Context

Tracey Scott and her partner John own and run *Tracey's Cycles*, a shop which sells and repairs bicycles (bikes). Much of Tracey's time is spent with customers or repairing bikes. *Tracey's Cycles* shop is located in Hiram, a small town in the north of England that is a popular holiday (vacation) destination.

Hiram Council, the local governing body, wants to encourage more people to cycle to work rather than use their cars, to save resources and cut pollution. The Council has therefore recently created cycle lanes – sections of roads where people can cycle in safety. Tracey hopes this will help her business by making cycling more popular.



Tracey buys bikes from *Parker plc*. This company makes and sells bikes for everyday use. *Parker plc* has just started to manufacture the 'Kyrano', a racing bike for professional cyclists. This bike has a very advanced design, so the company is recruiting employees with specialist skills who will use modern materials and advanced electronic equipment to make the 'Kyrano'.

Parker plc is located in Creighton, a large town in the south of England.



Answer ALL the questions. Write your answers in the space provided.

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

1. (a) (i) *Tracey's Cycles*

- A has unlimited liability for business debts
- B issues shares to its shareholders
- C owns and runs *Parker plc*
- D raises its capital on the Stock Market

(ii) The purpose of induction training at *Parker plc* is to help employees who

- A are about to leave the company
- B do not have any computer skills
- C have just been employed
- D are about to go on holiday

(iii) The Marketing Director at *Parker plc* will be responsible for

- A invoicing customers
- B paying wages
- C promoting bikes
- D training employees

(iv) Production employees at *Parker plc* will use

- A accounting software
- B CAD/CAM equipment
- C cash flow forecasting
- D sales promotion techniques

(v) Share capital will be issued by

- A Hiram Council
- B *Parker plc*
- C Tracey and John
- D *Tracey's Cycles*

(5)



Tracey needs to obtain finance to buy extra bikes. She can either

- invest some of her own savings as extra capital, or
- take out a bank loan.

(b) (i) Describe **two** differences between capital and a bank loan.

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(4)

(ii) What would be **three other** likely sources of finance for a small business such as *Tracey's Cycles*?

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(3)



Tracey has decided to take out a bank loan.

(c) Why might Tracey have chosen a bank loan rather than use her savings?

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Tracey plans to start hiring (renting) bikes to people on holiday in the town of Hiram.

John, Tracey’s partner, will run the new bike hire business. He is a mechanic in *Tracey’s Cycles* and will need training to deal with customers in the shop.

(d) What would be **one** advantage and **one** disadvantage to *Tracey’s Cycles* if John is sent on an ‘off-the-job’ training course?

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(4)

(Total 20 marks)

Q1

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2. Tracey has set business objectives for *Tracey's Cycles*.

(a) (i) Why is it important for *Tracey's Cycles* to have business objectives?

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(2)

(ii) From the list below, select the **two** business objectives that Tracey is **NOT likely** to have for *Tracey's Cycles*.

Tick **two** boxes.

- To have effective advertising
- To pay more interest on a bank overdraft
- To keep customers happy
- To repair bikes to a high standard of safety
- To make a loss when selling bikes

(2)



Most of the work in *Tracey's Cycles* is labour-intensive. Some of the work carried out by *Parker plc* is capital-intensive.

(b) (i) What is the difference between labour-intensive and capital-intensive work?

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(2)

(ii) Using the context on page 2, give **one** example of labour-intensive work in *Tracey's Cycles*, and **one** example of capital-intensive work in *Parker plc*.

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(2)

Parker plc is now recruiting employees with specialist skills. These employees will make the specialist 'Kyrano' racing bike for professional cyclists.

(c) Analyse **two** benefits to *Parker plc* from recruiting employees with specialist skills.

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Virgil, the Personnel (Human Resources) Director of *Parker plc*, expects that only men will have the specialist skills necessary to make the new ‘Kyrano’ bike. Virgil therefore wants to place a job advertisement stating “Only men need apply”.

(d) Why would it be illegal for Virgil to place this job advertisement?

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(2)

Virgil will recruit the specialist workers externally rather than internally from *Parker plc*.

(e) Discuss the **disadvantages** to *Parker plc* of Virgil’s decision to recruit specialist workers externally rather than internally.

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(6)

Q2

(Total 20 marks)



3. *Parker plc* sets efficiency targets for lean production and productivity.

(a) (i) What is meant by lean production?

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(2)

(ii) What is meant by productivity?

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(2)

(iii) Describe **two** ways in which a business such as *Parker plc* could increase its productivity.

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The directors of *Parker plc* want to check if productivity is increasing.

- (b) Outline how an increase in productivity could be measured in a business such as *Parker plc*.

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(2)

Parker plc has its own internet website. Tracey plans to set up a website for *Tracey's Cycles*. Tracey will put on the website pictures of the bikes for sale, their price and other information.

- (c) What would be **one** advantage and **one** disadvantage to *Tracey's Cycles* of using the internet to promote the business and the bikes it sells?

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(4)



Tracey also advertises bikes for sale in the local newspaper. The advertisements list the prices of the bikes, their different styles and sizes, alongside pictures. Each advertisement has a '10% money off' voucher to use in the shop.

(d) Using the information above, give **one** example of

(i) **persuasive** advertising.

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(1)

(ii) **informative** advertising.

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(1)

(e) Discuss why persuasive **and** informative advertising are **both** suitable for Tracey to use when selling bikes.

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(4)

Q3

(Total 20 marks)

TOTAL FOR PAPER: 60 MARKS

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