



**GCE AS/A level**

1081/01

**BUSINESS STUDIES**

**BS1**

P.M. MONDAY, 14 May 2012

1¼ hours

SS

For Examiner's use only		
Question	Maximum Mark	Examiner's Mark
1	10	9
2	22	18
3	8	6
4	10	8
Total	50	41

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1301

A Grade.

**INSTRUCTIONS TO CANDIDATES**

Use black ink or black ball-point pen.

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

Write your name, centre number and candidate number in the spaces at the top of this page.

**INFORMATION FOR CANDIDATES**

Mark allocations are shown in brackets.

You are reminded that assessment will take into account the quality of written communication used in answers that involve extended writing (question 4).

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

1. Jessica's Hats is a small business which makes hats for special occasions, e.g. for weddings. In order to keep the business growing, Jessica the owner, needs to obtain some equipment so that she can dye handbags and shoes to match the hats. The equipment will cost approximately £5 000.

(a) Which method of production would be most suitable for making the hats? Give reasons for your choice. [4]

Job would be the best method of production for Jessica to make hats for special occasions. This is because each hat ~~will be~~ can be tailor made to meet the customer's needs and can be made to specifically match the shoes and bags. Job is when each item is made one by one and is more labour intensive but this means the hats can be unique and ~~will~~ will make more profit.

(b) Suggest **two** sources of finance that may be suitable for Jessica to pay for the equipment she needs. Justify your choices. [6]

~~She~~ Jessica could either apply for a small bank loan to ~~to~~ obtain the £5000 as it would not take her long to pay the bank back and there would be a fairly low interest rate or Jessica could find a venture capitalist to invest in the business. This could mean the investor has a say in what she does but there is no interest rates to pay back at all.

Total mark

9 / 10

2. Inspiration for the Organic Food Company Ltd grew from a coffee shop and delicatessen in a mid-Wales town which had an unrivalled reputation for unique recipes, e.g. soups, sauces, salads and sandwich fillings, combined with excellent customer service. Soon the owner, Sandra realised that there was a **niche market** there for the taking and so the Organic Food Company Ltd was born.

The success of the business led Sandra to consider expanding. She would like to develop a range of organic pasta dishes, but before doing so, she would need to carry out some market research.

- (a) Explain **two** problems for Sandra of operating in a niche market. [4]

A niche market is a ~~small~~ market aimed at a specific market segment. A disadvantage of operating in a niche market is that if the niche becomes very popular, the mass market could take over and put the niche out of business. Another disadvantage is that prices for ~~product~~ production are higher making the average cost of the product higher and therefore lowering the demand.

4

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- (b) (i) Distinguish between primary and secondary market research and suggest **one** type of **each** which would be suitable for Sandra's business. [4]

Primary research is research Sandra has gone out and get first hand and secondary research is research that has already been done and Sandra is using it second hand. For Primary research Sandra might use qualitative research for example focus groups to find out favorites of customers and Secondary research Sandra might use quantitative research about how often people eat organic food based on the internet facts.

- (ii) Outline the benefits and drawbacks to Sandra of carrying out market research. [6]

Market research is getting <sup>useful</sup> information from the mass market ~~research~~ to benefit a business.

An advantage of market <sup>Sandra doing</sup> research is that she finds out if her business has the potential to grow organically by expanding the range of food she sells <sup>and if so, how much</sup>. Another advantage is that you can get opinions from potential customers about what they would like to eat best as their tastes and fashions change. Lastly Sandra would benefit because she would be able to get different new ideas by asking different people and this could generate more income in the long term. A disadvantage is doing this research is ~~is~~ time consuming and costly for Sandra. Sandra would have to take time out of work to get these ideas which costs money and Sandra might also have to pay to get more workers to help her with this and pay to have people take time to answer her questions.

- (c) Evaluate the view that operating as a private limited company, rather than as a sole trader, is more appropriate for a business such as Sandra's. [8]

A sole trader is a business owned by one person individually and a private limited company is a small business owned by more than one person. Operating as a private limited company could be better than a sole trader firstly because you have limited liability so if the business goes in to debt then the bank can not take personal assets to repay these, ~~as you are a sole trader you have unlimited liability~~ just assets of the business. Secondly ~~it is likely to generate more new ideas if more people are involved in the business~~ whereas if you are a sole trader you have unlimited liability and you personally are responsible for paying back debts. Secondly ~~with~~ you are able to choose who buys in to the business and by getting more people involved could generate new ~~and~~ and innovative ideas in to the business that could help increase profit in the long term. A drawback of this on the other hand is you are not the only person in control of the company. If you are a sole trader though, work is far more time consuming and so you also have less flexible hours. For a small business looking to expand being a plc is better as you are able to split the workload and able to expand as much as you like without losing control of the company.

L2  
4

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Total Mark

18/22

3.

### ALMOST TWO HUNDRED JOBS LOST IN AMDEGA COLLAPSE



Up to 197 jobs are expected to be lost after the world's oldest conservatory manufacturer went into administration.

Shocked staff were called in yesterday morning, at Amdega's Darlington factory, to be told that 188 of them were being made redundant out of a workforce of 197. Many more people are also used by the firm, mostly as sub-contractors installing the conservatories.

It is understood an eleventh-hour attempt to save the firm failed. Administrators KPMG said the company had closed and that there was no prospect of selling the business. Staff owed unpaid wages will only receive the statutory minimum guaranteed by the law. 'About 300 orders for conservatories are unlikely to be fulfilled.

KPMG said Amdega was the victim of a severe downturn in the home retail sector.

*Adapted from the Northern Echo, 28 April 2011*

Examine the impact of the closure of Amdega on its stakeholders.

[8]

Stakeholders are everyone involved in the business for example: customers, workers, investors etc. Everyone within the business will suffer the consequences of the closure of Amdega. Within the business the most effected ~~of~~ stakeholders will be the employees being made redundant. By putting ~~so~~ so many people out of a job makes many of their lives hard to survive the lifestyle they

have become accustomed to ~~open~~ as they were not expecting to not be paid. It also puts pressure on all areas of the economies to try and find new jobs for the redundant employees. Customers are also to be affected as they have paid to get their conservatories remade and now these plans are not to be fulfilled by the customer's desired company. Investors of the company are also going to be affected as they lose all the money they have generated in to the business over time. Lastly, other businesses that use ~~hard~~ for work such as floor + wood companies and raw material companies lose a lot of money as they are no longer being used to source materials anymore so now lose business they were counting on keeping.

L3  
6Total Mark  
6 / 8

The only stakeholder that benefits the business closure is the bank as they are able to claim back the money the company owed them after the attempt to save the business.

4. You don't know Murray Martin but he knows you. Or, at least, he knows where you live. He's got a pretty good idea what you like spending your money on, how long it will take to drive to your nearest shopping centre and what it will take to get you to go there. As chief executive of Pitney Bowes, Mr. Martin has helped many businesses locate their businesses more precisely.

The company, based in the USA, recently landed a contract with Dixons to help the British electrical chain to identify exactly which type of store from its portfolio needs to be in which location, based on an analysis of consumer habits as well as the amount of time it is likely to take customers to travel to their nearest store by road. It has also worked with Marks & Spencer on store location.

The location of any business can play a critical role in determining whether or not it is successful. It is one of the earliest decisions any business has to make and the ideal location is one which maximises revenue and minimises costs. Many factors influence location decisions but their significance varies from industry to industry.

"The choice of location is more important for some businesses than others." Discuss. [10]

Location is where a business decided to sell its goods to the given market. When a business chooses its location there are many things to consider: land, labour, raw materials, travel, employees etc. The location of a business has to be right <sup>in the</sup> <sup>area</sup> for goods to sell to the right customers. For example a retail store would generate most money if it was located in a busy town center where passing trade is constantly walking past, whereas a ~~tile~~ tile warehouse is more likely to be located in a less populated area to have more space and people are more likely to search for it specifically. A business also needs to be easy location for employees to get to everyday. They are unlikely to find a large number of people wanting to travel great distances to get to work everyday. Thirdly a business has to try



and keep travel costs low to generate as much profit as possible; to do this the business needs to be fairly close and easily accessible to either the raw materials needed or to the manufacturer to try and keep the prices of transporting goods ~~to~~ low. Competition is also a key aspect to consider. If a business is surrounded by other companies providing the same goods or services, comparisons are going to be made by customers and less cash is going to be generated when better alternatives could be available close by.

L3  
8

Total Mark

8/10

A location is on the other hand not as important for suppliers as they sell to other businesses ~~as~~ who are willing to travel to greater lengths to buy supplies if it benefits them. Prices ~~and~~ etc. are more important ~~for~~ business to business selling than business to customers.

To conclude location is essential for ~~everyday~~ everyday goods however not as important for business selling to other businesses as it is ~~not~~ a 'need' rather than a customer's 'wants' and impulse purchases.