



GCE AS/A level

1081/01

BUSINESS STUDIES

BS1

P.M. MONDAY, 14 May 2012

1¼ hours

For Examiner's use only		
Question	Maximum Mark	Examiner's Mark
1	10	8 ✓
2	22	13 ✓
3	8	4 ✓
4	10	6 ✓
Total	50	31

C 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 production would be the most suitable for making the hats as it is the type of production where one person or a team works together to create a unique product. This would be most suitable as it enables Jessica to keep her hats unique and different to one another. It may also improve the quality of them as job production can increase staff morale as they get to complete making a product from start to finish and see the end result which can be motivating.

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

A source of finance is ~~a way~~ where money can be borrowed or made in order to fund something. Jessica may choose to borrow money from family and friends as this may lead to a more relaxed time period as to when the money has to be paid back by as well as probably having ~~very~~ low or maybe no interest. See attached sheet for continuation.

Total mark

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 smaller specific market with particular desires of a certain product.

One problem may be ~~due~~ that even if she continues to expand, there may not be enough people wanting her products and so Sandra would make a loss.

See attached sheet for continuation

- (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 ~~would be~~ is when research is conducted and first hand information is gained, sometimes such research has not been done before. Sandra may gather some primary research by giving her current customers questionnaires which would contain feedback for Sandra as to whether she should develop her range of organic pasta and expand.

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

Market research is when study's are carried out to gain information about a specific market.

The benefits of Sandra carrying out market research would be that it can prevent Sandra losing some of her hard-earned money by setting up a store in completely the ~~was~~ wrong kind of area where there is a very small or possibly non-existent niche market. It can also have the effect of showing Sandra areas she could open a branch at that she wouldn't have thought of before and be hugely successful.

See attached sheet.

See attached sheet.

- (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 private limited company is a privately owned company which has certain legal restrictions but does not have to publicise any information.

It is probably more appropriate for Sandra's business as if something ^{bad} were to happen ~~and~~ to ~~negatively~~ the company, Sandra cannot be held completely liable which would mean she would not be solely responsible for sorting out the issue.

However, by becoming a private limited company, Sandra may lose control and be less able to go in the direction she wants to go in expanding or new products etc.

See attached sheet

Total Mark

13/22

12
3
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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 anyone that will be affected by the business, ranging from suppliers to consumers to the public that live in the same place as the factory. For staff, the closure of Amdega will have a huge negative impact as people will ~~at~~ may struggle

GCSE and GCE Examining Bodies

Examining body		Centre number	6	4	3	9	5
Candidate name	Maisie McCulloch	Candidate number	5	0	9	8	
Paper reference		Sheet number				2	

Question
number

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4	<p>money and people are willing to repeat buy even though they are expensive stores and products.</p> <p>On the other hand, for certain businesses such as carpenters or those in similar industry could have just one place where they can be contacted but then employees with their vans and equipment are able to go all over the place. The only impact issue here would be the amount of vans they have as to how broadly they can go to reach customers. Some other industries such as popular food chains may also see location as less of an issue as places such as the Domino's and McDonalds can be successful pretty much anywhere.</p> <p>Overall, location of a business varies in importance but depends entirely ^{mainly} on industry.</p>
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2c Overall it is a more appropriate option for Sandra as it can allow for more support and growth as well as help in other areas which could be more expensive and possibly unavailable if she was a side trader.

3 The ~~people~~ 300 people who had placed orders will be affected as they will now not get their conservatories nor will they be likely to be reimbursed.

It is clear that the closure of Amdega has had a ~~suffici~~ predominantly negative effect on almost all stakeholders, in particular the staff, suppliers and customers.

financially especially if they have a family and were on low wages which is not helped by the lack of job opportunities in the UK either. The closure is also likely to have a large damaging ~~effect~~ effect on the factories and suppliers who provide the materials. * This is particularly bad for them due to the fact that Andega is one of the oldest and a considerably large company hence causing suppliers to lose out on sufficient sales.

See attached sheet

Total Mark

L2

4

4 / 8

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 something is situated.

Location can be very important for certain businesses such as Marks & Spencer as if they were to open a new flagship store in a sparsely populated area in the countryside then it would most definitely be less popular and profitable than it would be were the same store to open in a busy town. Depending on the product and service, location importance will vary. ~~and~~ Stores such as Marks & Spencer and ~~for some~~ Primark etc should be located in busy areas where there is a constant flow of customers.

GCSE and GCE Examining Bodies

Examining body		Centre number	6	4	3	9	5
Candidate name	Maisie McCulloch	Candidate number	5	0	9	8	
Paper reference		Sheet number					1

Question
number

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1b	<p>This would be ideal for Jessica as especially as turnover may be slow due to the size of the company. ✓</p> <p>Jessica may also choose to get a bank loan as it is not hundreds of thousands of pounds she is asking for and so if the business takes off and income starts to pick up, paying back the loan may not take too long.</p>
2a	<p>Another issue may be that Gandra is restricted with what products she can produce as it may cause the company to lose its niche market and have to restructure everything. ✓</p>

2bi Secondary market research is using ~~past~~ research information and statistics which has already been gathered and not collected first-hand by Sandra. If Sandra wanted to use secondary research, she could see which of her branches is most successful and then look at factors influencing e.g. location of store + type of area etc to try and work out where a new branch would be successful.

2bii On the other hand market research can be expensive and time consuming which could be very damaging to the company. It can also have the possibility of not producing enough clear constructive information for Sandra expanding and so would be a waste of money when that money could be spent on producing another new product.

as Murray Martin has already worked out. For some high end designer stores they have a limited selection of places to situate themselves as some customers who would only 'one-off' buy would not be good for the business. Instead they would need to locate themselves where there is

See attached sheet.

Total Mark

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L2
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6 / 10