



GCE A level

1084/01

BUSINESS STUDIES

BS4

A.M. TUESDAY, 22 June 2010

2 hours

ADDITIONAL MATERIALS

In addition to this examination paper, you will need:

- a calculator;
- a 12 page answer book.

INSTRUCTIONS TO CANDIDATES

Write your answers in the separate answer book provided.

Answer **all** the questions in Section A and **one** question from Section B.

You are advised to spend no more than 1 hour and 15 minutes on Section A.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question.

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

You are reminded that the essay questions in Section B are synoptic and so will test understanding of the connections between different elements of the subject.

SECTION A

Answer all the questions.

1. Many British companies, such as British Airways, have recently changed from market-led to asset-led marketing strategies.

Explain the advantages to a business, such as British Airways, of using asset-led marketing.

[6]

2. The jam-making company, Cedric Applewhite Ltd, recently bought a new machine to crush fruit. The machine cost the company £8000. It has an estimated residual value of £2400 and an expected life of eight years. The chief accountant, Toby Trinder, has decided to depreciate the value of the machine using the straight-line method.

(a) Calculate the value of the machine after three years. (Show your workings.) [4]

(b) The new fruit-crushing machine will replace three old machines and will require only one worker to operate it instead of three. As a result, Charlie Applewhite, the son of the founder of the company, has decided to make two workers redundant. The trade union in the factory is not happy about the situation.

Consider the various outcomes that might arise from this situation.

[6]

3. GG Adventure Holidays Ltd is thinking of ways of advertising its next year's programme, but is not sure which media to use. It has narrowed them down to three options: advertising in a Sunday newspaper, advertising on commercial radio or using direct mail.

The costs, probability of success and estimated revenues for each option are shown in the table below.

	Cost (£)	Probability of success	Estimated Revenue (£)	
			Success	Failure
Sunday Newspaper	120 000	0.6	600 000	120 000
Commercial Radio	100 000	0.4	700 000	150 000
Direct Mail	70 000	0.5	500 000	100 000

(a) Use the information provided to create a decision tree diagram and recommend which one of these media the company would be best advised to use. [7]

(b) Evaluate the usefulness of decision trees to a company such as GG Adventure Holidays Ltd. [8]

4. Peters Sports Ltd sells a range of sports equipment to sport shops. Recently, sales of its golf clubs have been declining and the principal owner, Harry Peters, is not sure whether or not to lower their prices. At the moment he charges his customers £500 for a set of his best clubs and sells 200 per year.

Harry contacted a number of customers and asked them how many sets of the best clubs they would be prepared to buy at different prices. The results are shown in the table below.

Price of a set of the best golf clubs	Estimated sales of sets of the best golf clubs
£400	230
£450	215
£500	200
£550	185
£600	170

- (a) Calculate the price elasticity of demand for a set of Harry's best golf clubs if he decides to lower their price from £500 to £450. (Show your workings.) [3]
- (b) Discuss the view that the theory of elasticity of demand is of little practical use to businesses such as Peters Sports Ltd. [6]

SECTION B

Answer one of the following questions.

5. Consider the view that cuts in taxation are likely to benefit all UK businesses. [20]
6. "The ability to adapt to changes in the external environment is the key to business success." Discuss. [20]
7. "The shareholders of a business are the most important of all of the stakeholders." Discuss. [20]

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