

Surname	Centre Number	Candidate Number
Other Names		2

GCE A LEVEL – NEW



A510U10-1



**BUSINESS – A level component 1
Business Opportunities and Functions**

MONDAY, 12 JUNE 2017 – AFTERNOON

2 hours 15 minutes

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
Section A	1.	6
	2.	4
	3.	18
Section B	4.	16
	5.	14
	6.	10
	7.	12
Total	80	

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

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

Answer **all** questions.

Write your answers in the spaces provided in this booklet. If you run out of space, use the continuation pages at the back of the booklet, taking care to number the question(s) correctly.

INFORMATION FOR CANDIDATES

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

You are reminded of the necessity for good English and orderly presentation in your answers.

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

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SECTION A

1. Outline **three** factors that are likely to affect the demand for ready-made meals. [6]

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2. Identify **one** normal good and **one** inferior good outlining the reasons for your choice. [4]

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3. Sharon Thomas recently left college where she studied catering. Rather than look for a job with an established business Sharon has decided that she would like to start up on her own. She has decided that she would like to open a café that specialises in healthy foods.

Sharon has already found out that the average spending on café meals in her area is £104 per person per year and that the total number of consumers is 12 000. Sharon is aiming to capture 5% of this market in the first year. Sharon will need to secure a small loan in order to start her business.

She has spoken to the manager in her bank who told her that, as a sole trader, she will have unlimited liability.

The manager also said that it was important for Sharon to write a business plan. He also advised her that it would be a good idea for her to carry out some further market research before starting her business.

- (a) Explain the implications of unlimited liability to Sharon. [4]

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- (b) Describe why the manager at the bank told Sharon that it was important for her to write a business plan. [4]

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- (c) Outline **three** suitable methods of market research that Sharon might undertake before starting her business. [6]

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From the information given in the data on page 4:

- (d) (i) calculate the total spending on café meals in her area per year. [1]

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Sharon has estimated that her weekly costs will be £750.

- (ii) Calculate her weekly profit. [3]

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SECTION B

4. Supermarket pricing: regulator finds ‘misleading tactics’

The competition regulator says it has found evidence that supermarkets are misleading customers with confusing pricing promotions. After a three-month study, the Competition and Markets Authority (CMA) found some examples that “could be in breach of consumer law”.

The investigation came after a complaint by the consumer group Which? who said that it had found hundreds of examples of “misleading and confusing pricing tactics”. For example a 2 litre bottle of Pepsi Max was advertised at £1.98 for 28 days, but the price was then lowered to £1 for 63 days. It was advertised as “was £1.98”. The rules say that such price promotions cannot last longer than the higher price period. Another example given by Which? was for tomato ketchup: some bottles were priced as “per 100 ml” whilst others were priced “per 100 mg” which made price comparisons difficult.

However, the CMA said that, although there was evidence of misleading pricing, the practice did not appear to be widespread and retailers were generally taking compliance seriously. As part of its investigation, the CMA examined the pricing of 150 000 products. Of those, it said that 800 had potentially misleading prices. It said it would now be talking to businesses in more detail about the problems, and issuing fines where necessary.

Source: www.bbc.co.uk/news/business

- (a) Discuss the reasons why consumers sometimes need protection from exploitation by businesses. [8]

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(b) Evaluate **two** different types of pricing strategies that can be used by a supermarket. [8]

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5. Gerry Spencer has been operating his jewellery business for the last five years. In the past his business has experienced some financial problems and his partner Rose, who is an accountant, has helped Gerry to draw up a cash flow forecast for the next six months.

	July	Aug	Sep	Oct	Nov	Dec
	£	£	£	£	£	£
Sales revenue	2400	2000	1800	2400	3000	3600
Stock purchases	800	720	960	1200	1440	600
Heat and light	60	60	60	60	60	60
Rent	250	250	250	250	250	250
Drawings	800	800	800	800	800	800
Advertising	200	250	300	300	400	400
Total cash outflow	2110	2080	2370	2610	(i)	2110
Net cash flow	290	-80	-570	-210	(ii)	1490
Opening balance	250	540	460	-110	(iii)	-270
Closing balance	540	460	-110	-320	(iv)	1220

- (a) Calculate the missing figures for November. [4]

- (i)
- (ii)
- (iii)
- (iv)

- (b) Explain **two** impacts on a business if it does not control its cash flow effectively. [4]

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(c) Evaluate ways in which the cash flow situation of a business can be improved.

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6. General Electric (GE) Co. officials are hoping that a more efficient manufacturing process will help the company make the most of a recent \$800m investment. The company is employing a **lean production** strategy in the production of a new line of dishwashers. “To be competitive, we have to look for every opportunity to improve efficiencies and productivity while increasing quality” said Cynthia Fanning, Product General Manager for dishwashers at GE Appliances, “lean production principles have improved every aspect of our processes”.

(a) Outline what is meant by the term *lean production*. [2]

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(b) Discuss the impact of lean production on a manufacturing business, such as GE Appliances. [8]

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7. Dragons’ Den – Peter Jones

Peter Jones CBE is one of Britain’s best-known entrepreneurs, owning a portfolio of businesses ranging from telecoms to publishing, a number of which he became involved with when appearing as a “Dragon”, (i.e., venture capitalist) on the BBC series “Dragons’ Den”.

A Dragon since the very first series, Peter’s business career started out at a young age when he set up his own tennis coaching school. He has been through some difficult financial times in the past but he is now one of Britain’s best-known entrepreneurs. His business portfolio is wide-ranging and includes Expansys, Data Select, Jessops, Levi Roots, Red Letter Days, Wonderland Magazine and Bladex Toyz.

Source: www.bbc.co.uk

One of the reasons why people sell a share of their business to one of the Dragons, such as Peter Jones, is because he is able to provide them with the leadership that their business requires.

With reference to the various leadership styles and theories that you have studied, discuss the view that the leadership style of one individual, such as Peter Jones, can be appropriate for all different types of business. [12]

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END OF PAPER

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For continuation only.

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