



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	3 ✓
2	22	14 ✓
3	8	1 ✓
4	10	3 ✓
Total	50	21 ✓

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1801

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.

E Grade

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]

Batch production would be the most effective method as she can alter the settings on the machine to create different styles. From this she can continuously make the hats with different styles. X

- (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 which would be suitable for Jessica is a business angel. This is because they are risk takers and often invest in small businesses. Another source of finance would be a bank loan. This would be suitable as she could pay the money off in installments instead of one lump sum.

Total mark

3 / 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 problem for Sandra operating in a niche market is that she is only appealing to a small market which could cause her to not get enough business to cover her losses. Also, as the market is not growing it means she is unlikely to expand her business as there is not much demand for the organic products.

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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]

Secondary market research is when a business uses data ^{that has been} collected by other businesses, ^{for a different purpose} whereas primary research is the collection of new data.

~~External~~ Internal secondary research would be appropriate as she can see how similar businesses are running and how. Questionnaires would be a good primary market research method as she can ask her own questions to get detailed responses.

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

A benefit to primary research is that she can ^{use} ~~get~~ her own questions to ask ^{for this purpose}, whereas secondary data has been asked for in different purpose. However, primary research is more expensive and time consuming as it is data that has to be collected ~~unlike~~ Secondary data which has already been collected and is cheap and easy to obtain. A drawback to secondary data is that the data may be bias to please the stakeholders ~~thereas~~ also, the primary data may only show a certain opinion and not that of the population. A benefit to using the market research is to find out what consumers want in order to tailor their products to get these wants. Also, the Sandra has this data that only she can own which is an advantage she has over her competitors.

- (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]

Operating as a LTD rather than a sole trader has advantages and disadvantages. For example, as a LTD you only have limited liabilities which means you can only lose the money that you put in whereas if you are a sole trader you have unlimited liabilities which means you could lose your house. Another advantage of becoming an LTD company is that it is easy to raise finance as there are more business partners to pool the money together whereas a sole trader can only invest his own savings and may find it harder to receive a loan. An advantage to ~~becoming~~ operating as a sole trader is that you can have full control of your business whereas if you are an LTD company all members have to agree on the decisions before they can be finalised. Another benefit of being a sole trader is that you can keep all profits whereas an LTD will have to share profits.

In conclusion it depends on what Sandra wants to do however, becoming an LTD would be more beneficial as she will only have limited liabilities, can raise funds easily and will have combined knowledge from the other members.

Total Mark

8 14/22

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]

A stakeholder is someone who owns part of the business. There is a large impact on the stakeholders of Amdega. This is because they will have limited liability, which means they have lost the amount of money that they invested. This will also affect the stakeholders as they will now have a black mark against their name as they have lost money in their business. This could affect them if they want to take out a loan as the bank will know that they may not have the money to pay it back. Also, if they

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only

made their investment through a bank loan they ~~may~~ will now not be able to pay it off as they will not be able to afford the interest rates on the monthly installments which could cause them to go for bankruptcy. Another disadvantage is that they may not be able to run another business as the administrator will restrict them due to their previous business.

To evaluate, the shareholders will lose a lot of money, some of which they have not already made as they will be black listed which may prevent them from getting jobs in a partnership.

Total Mark

1/8

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]

The choice of location for some businesses is vital as they may be a retailer and will want to get customers to become a leading chain. However, companies that provide a service such as window cleaners may not need a shop in a shopping centre as they do not have any products to sell. As they provide a service, advertising is more important for their business. Big suppliers will want their warehouse locations to be close to main roads and easily accessible as it is vital for them to make deliveries and to receive shipments from being near main roads they can travel in both directions. A factor that is important for a local retailer is that it is near where the public are therefore, not out of the way. They will also want it to be accessible which means they want it to be near a car park so they can get more customers from further away. A company that provides a service needs their location to be close to where they are advertising, this is because if they have ad advertising in Scotland and they are

based in Portsmouth it is unlikely that they will be able to justify their service. They will want this to be located near main roads as it is easier for them to travel to different parts of the country. *pl*

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In conclusion, location is more important to retailers as they will want to be in shopping centres where the most customers are whereas companies that provide a service would rather focus on advertising rather than location.

Total Mark

3 /10