

Centre Number						Candidate Number				
Surname										
Other Names										
Candidate Signature										

For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
TOTAL	



General Certificate of Secondary Education
January 2013

Business Studies

413001

Unit 1 Setting up a Business

Thursday 10 January 2013 1.30 pm to 2.30 pm

You will need no other materials.
You may use a calculator.

Time allowed

- 1 hour

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 60.
- You are reminded of the need for good English and clear presentation in your answers. Quality of Written Communication will be assessed in questions 1(d), 2(d) and 3(d).



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

Total for this question: 21 marks


1 Read **Item A** and then answer the questions that follow.

Item A

IT at Home

Chris has been working as an information technology (IT) technician in a large organisation since he left school. He enjoys the work and is skilled in all areas but he finds working in an office boring. It is not well paid.

His friends and family often ask him to help them with their computer problems. Chris is gaining a reputation for good quality work. He believes that there is a gap in the market for repairing computers in people’s homes but he has not done any market research. He is sure that he could earn good money through this type of work and would like being in control of his own business. Chris believes his only competition would be from local computer shops that are seen as being expensive and inconvenient.



If Chris did start his own business, he would have to decide whether to set up as a sole trader. He could set up as a private limited company and sell shares to raise money. He would need a small van but has very little money saved up. He wonders whether he should delay setting up his business until he has done more planning and saved more money.

Source: photograph, *Getty Images*

1 (a) Explain **one** benefit to Chris of targeting his home-based IT service at a gap in the market.

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(2 marks)



1 (b) Explain **two** reasons why Chris wants to start his own business.

Reason 1

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Reason 2

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(4 marks)

1 (c) Explain **two** ways in which Chris could reduce the risks of setting up his business.

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(6 marks)

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1 (d) In order to buy a small van, Chris will need to choose between having a bank loan for £10 000, or selling shares in which his friends and family could invest.

Advise Chris which is likely to be the better option. Give reasons for your advice.

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Total for this question: 19 marks

2 Read **Item B** and then answer the questions that follow.

Item B

Trading Fair

Trading Fair was set up five years ago as a local enterprise to raise money and to help provide better prices and working conditions for farmers and workers in Africa. *Trading Fair* is run by a group of friends who decide how the enterprise should operate.

The enterprise imports products such as jewellery, toys and shopping bags. These are then packaged and labelled by local volunteers. The products are sold directly to the public at charity events and stalls at local markets. *Trading Fair* sells good quality products at prices that are similar to charity shops and has many loyal customers.



One volunteer has suggested that *Trading Fair* should raise the price of its jewellery to enable it to make more money for the African workers. It could also introduce an online service by selling through a website. There would be extra costs to start up this service. Some members of the group are not in favour of the website as they believe that it would be risky. It would turn their local enterprise into a big business which they would not recognise or feel part of. Other volunteers believe it would mean more customers from a wider area.

Source: photograph, Getty Images

2 (a) Explain **one** example of how *Trading Fair's* shopping bags must be fit for the purpose sold.

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(2 marks)



2 (b) *Trading Fair* currently sells 1000 products a week at an average price of £8 per product. It spends £5000 a week on importing these products, and the packaging and labelling costs are 50p per product.

Calculate the weekly profit.

Profit

Workings

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(4 marks)

2 (c) Explain why raising the price of the jewellery might not be a good idea.

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2 (d) *Trading Fair* is considering whether it should introduce an online service selling its products through a website.

Advise *Trading Fair* whether or not this is a good idea. Give reasons for your advice.

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Total for this question: 20 marks

3 Read **Item C** and then answer the questions that follow.

Item C

Cook and Serve Ltd

Cook and Serve Ltd was set up as a local food shop 10 years ago. It employs 15 employees to make and sell a small range of high quality frozen handmade meals. The meals taste and appear like homemade food. The meals are expensive, but customers are prepared to pay high prices rather than drive to the nearest supermarket where the ready meals are of lower quality.



Cook and Serve Ltd uses batch production to make the meals. This means that the work can lack variety.

The supermarket has recently introduced its own range of high quality meals. This has not yet resulted in *Cook and Serve Ltd* losing customers, although it is worried that it must remain competitive. It has, however, lost several hourly paid staff who have been attracted by the higher wages, bonuses and other non-monetary benefits being offered by the supermarket.

Cook and Serve Ltd is aware that its current workers, many of whom are local, say that they like working for them. The company is, however, finding it difficult to replace workers who have left as it cannot afford to pay high wages.

Source: photograph, *Getty Images*

3 (a) List **two** possible non-monetary or fringe benefits that *Cook and Serve Ltd* could offer its staff.

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(2 marks)



3 (b) Describe **two** ways in which *Cook and Serve Ltd* could try to remain competitive.

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(4 marks)

3 (c) Explain why *Cook and Serve Ltd* uses batch production to produce the meals.

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3 (d) Several hourly paid staff have left *Cook and Serve Ltd* to work at the supermarket.

Recommend the best methods that *Cook and Serve Ltd* could use to prevent any more staff from leaving.

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END OF QUESTIONS



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