

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
June 2011

Business Studies

413001

Unit 1 Setting up a Business

Monday 6 June 2011 9.00 am to 10.00 am

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).



J U N 1 1 4 1 3 0 0 1 0 1

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

Tasty Snacks

Jenny is studying for her A-levels. At the same time, she enjoys working part time in a local café in the village where she lives. She has noticed that the prices charged to customers in the café seem to be much higher than the actual costs of making the meals and drinks. She is sure that the owners must be making a good profit. Jenny is now considering whether she should carry on with her studies or whether she should just leave school and set up her own café.

Jenny could set up the café in the village where she lives which is in a tourist area. She is also considering a busier but more expensive location such as the shopping centre in the town near to where she goes to school.

A recent advert has caught her attention. It is advertising 'Franchise opportunities with well known fast food brands'. She would need at least £5000 to take up one of these opportunities. Jenny is unsure whether to set up the café as a sole trader or as a franchise.



1 (a) State and explain **one** feature of a sole trader.

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(2 marks)



1 (b) Jenny is wondering whether to take up the franchise opportunity.

Explain **one** advantage and **one** disadvantage for Jenny of operating as a franchise.

Advantage

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Disadvantage

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(4 marks)

Extra space

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Question 1 continues on the next page

Turn over ►



1 (c) Identify **two** methods of market research and explain how each method might help Jenny to make her business successful.

Method 1

Explanation

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Extra space

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Method 2

Explanation

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(6 marks)

Extra space

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1 (d) Jenny is unsure where the best place would be to locate her café. She is considering two locations:

- the village where she lives
- the shopping centre in the town near to where she goes to school.

Advise Jenny which is likely to be the best option. Give reasons for your advice.

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Turn over ►



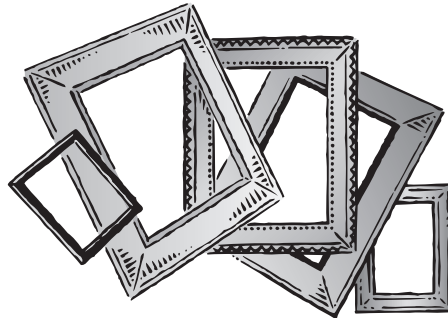
Total for this question: 18 marks

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

Item B

A to Z Frames

A to Z Frames has been a successful small business for over fifty years. It makes a large number of three different sizes of picture frame which it sells to local gift shops. It also operates a framing service for pictures of any size, with a range of quality frames available. This service is popular with artists as well as photographers.



A to Z Frames uses batch production for the frames that it sells to the local gift shops and job production for the framing service.

A to Z Frames has five skilled and highly paid employees who have worked at the company for many years. It does, however, have one vacancy. The company is also facing competition from cheaper imported frames and is considering how it can reduce its costs. One idea is to pay the workers on the basis of how many frames they make. This might also improve the workers' motivation which is currently poor.

2 (a) State **two** features of job production.

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(2 marks)



2 (b) Explain **one** benefit to *A to Z Frames* of using batch production for the frames that it sells to the local gift shops.

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(3 marks)

Extra space

2 (c) Explain **two** possible reasons why *A to Z Frames* has highly paid workers.

Reason 1

Extra space

Reason 2

(4 marks)

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2 (d)

A to Z Frames needs to lower its costs because of the competition from imports. It is considering whether it can reduce its costs by paying the workers on the basis of how many frames they make.

Discuss whether or not changing the way it pays its workers would be the best way of reducing costs.

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Turn over for the next question

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Total for this question: 21 marks

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

Item C

Specialist Translation Services

Magdi and Dimitri moved to England in 2005. They quickly realised that there was a gap in the market providing translation services to businesses who wanted to sell their goods and services in Eastern European countries. As a result, they set up their business, *Specialist Translation Services (STS)*, to meet that demand.

Magdi and Dimitri are fluent in several languages, including English, so services that *STS* could provide were checking business letters, reports and translating sales brochures. *STS* is able to charge a high hourly rate but the big businesses who are its main customers are very slow to pay. This is making it difficult for *STS* to pay its own bills on time as its suppliers insist that it pays straight away. Magdi and Dimitri are worried, however, that if they take action against their customers, they will lose their business.



Most of *STS*'s current work comes through word-of-mouth recommendations. *STS* is considering using e-commerce and developing a website, similar to its competitors. The business might also replace its telephone helpline with the internet as its method of communicating with customers. This would allow *STS* to provide a better customer service facility for the increasing number of international customers it now has.



3 (a) STS is considering developing a website in order to gain more customers. State **two** other ways in which the business could gain more customers.

Way 1

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Way 2

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(2 marks)

3 (b) Explain how STS could benefit from using e-commerce.

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3 (c) Explain how *STS* would benefit from improving its customer service.

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3 (d) Magdi has just produced STS's cash flow forecast for the next six months in order to plan when the business can afford to develop its website.

Figure 1: STS's cash flow forecast July – December

	July £	August £	September £	October £	November £	December £
Income						
Sales	4 000	3 000	2 000	2 000	5 000	6 000
Total income	4 000	3 000	2 000	2 000	5 000	6 000
Expenses						
Materials	300	200	200	500	600	700
Salaries	3 000	3 000	3 000	3 000	3 000	3 000
Web development	0	0	2 000	0	0	0
Other expenses	500	500	500	500	500	500
Total expenses	3 800	3 700	5 700	4 000	4 100	4 200
Net cash	200	(700)	(3 700)	(2 000)	900	1 800
Balance brought forward	4 000	4 200	3 500	(200)	(2 200)	(1 300)
Balance carried forward	4 200	3 500	(200)	(2 200)	(1 300)	500

() indicates a negative amount.

Recommend the best action(s) you would advise STS to take in order to manage or improve its cash flow. Use **Item C** and **Figure 1** above to support your recommendation.

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21

END OF QUESTIONS



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