

Centre Number						Candidate Number				
Surname										
Other Names										
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
TOTAL	



General Certificate of Secondary Education  
June 2011

# Business Studies

# 413002

## Unit 2 Growing as a Business

Friday 27 May 2011 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(c).



J U N 1 1 4 1 3 0 0 2 0 1

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

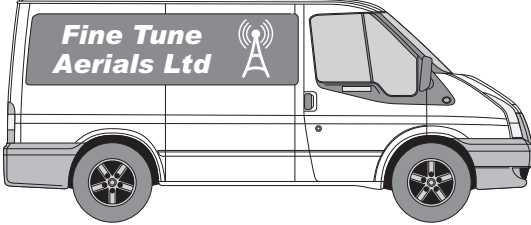
**Total for this question: 21 marks**

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

**Item A**

**Fine Tune Aerials Ltd**

*Fine Tune Aerials Ltd* is a private limited company that was set up in 1990. The company installs television aerials and satellite dishes for customers living in and around Preston in the north of England. There are four similar businesses in the town. *Fine Tune Aerials Ltd* has the objective of doubling its sales revenue in the next five years. It is considering relocating to a larger city, such as Manchester or Liverpool. The manager of the company believes that the move would help *Fine Tune Aerials Ltd* achieve this objective.



**1 (a)** What does it mean if a company has limited liability?

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**(2 marks)**



**1 (b)** How does having an objective help *Fine Tune Aerials Ltd*?

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(4 marks)

*Extra space* .....

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**1 (c)** Explain the benefits to *Fine Tune Aerials Ltd* of growing in size.

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(6 marks)

**Turn over ▶**





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<b>21</b>

**Turn over for the next question**

**Turn over ▶**



**Total for this question: 23 marks**

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

**Item B**  
**Midlands Timber Ltd**

*Midlands Timber Ltd* is a company that manufactures high quality garden furniture. The business sells its products through garden centres. *Midlands Timber Ltd* is considering selling directly to the public using the internet. Customers would be able to buy the products at lower prices on the internet than buying the same items at a garden centre.

Several of *Midlands Timber Ltd*'s key employees have left the business to find work elsewhere. Often employees leave because they feel that the company does not pay them high enough wages for the skills that they have. The company is investigating ways to ensure that its remaining employees do not leave.



**2 (a)** Describe **two** suitable ways in which *Midlands Timber Ltd* might promote its garden furniture.

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**(4 marks)**

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**2 (b)** Explain why *Midlands Timber Ltd*'s garden furniture will probably be sold at a lower price on the internet than at garden centres.

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(4 marks)

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**2 (c) (i)** *Midlands Timber Ltd* sells high quality products and it is important that every one of its products is made to the same high standard.

Outline a reason why it is important that *Midlands Timber Ltd* produces a high quality product.

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(2 marks)

**Question 2 continues on the next page**

**Turn over ►**



2 (c) (ii) Explain **one** way in which *Midlands Timber Ltd* can make sure that all of its products are of a suitable standard.

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(4 marks)

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2 (d) *Midlands Timber Ltd*'s managers want to reduce the number of employees who leave the business to go and work elsewhere. They are considering two ways of achieving this:

- increasing wages so that they are much higher than those paid in other similar businesses
- giving a loyalty bonus of £5000 to employees who stay with the business for five years.

What action do you think *Midlands Timber Ltd* should take? Use **Item B** to justify your answer.

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Total for this question: 16 marks

3 Read **Item C** and then answer the questions that follow.**Item C****Healthy Life Styles Ltd**

*Healthy Life Styles Ltd (HLS)* owns and operates a number of gyms and fitness centres throughout the UK. It has found an opportunity to expand into the south of England. It needs to raise £3m to pay for a new fitness centre.

To help the Directors decide how to fund the new fitness centre, the Accountant has produced a summary of *HLS's* finances in **Figure 1** below.

**Figure 1: Accountant's summary of some of *HLS's* finances**

	<b>2010 £000</b>	<b>2009 £000</b>
Sales revenue	12 500	10 000
<i>less</i> cost of sales	5 500	4 000
Gross profit	7 000	6 000
<i>less</i> expenses	1 500	1 000
Net profit	5 500	5 000
Retained profit	2 500	2 000

$$\text{Net profit margin \%} = \frac{\text{Net profit}}{\text{Sales revenue}} \times 100$$

The net profit margin for 2009 is 50%.



**3 (a)** What is meant by the term ‘expenses’?

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(2 marks)

**3 (b) (i)** Using the formula in **Item C**, calculate *HLS*’s net profit margin for 2010. Show your working.

Net profit margin for 2010 .....

*Working*.....

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(2 marks)

**3 (b) (ii)** What does the financial information tell you about *HLS*’s profits?

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(3 marks)

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**Question 3 continues on the next page**

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16

**END OF QUESTIONS**



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