

Unit 1

Understanding Business Activity Categorised Past Papers



3 Sarah set up a business as a sole trader running a nursery for small children too young to go to school. The business is successful and has opened a number of new nurseries. Sarah took on a business partner in 2007. Growth has continued and now the business has 10 nurseries in different towns and villages. Sarah is planning to open another nursery and is looking for a suitable location.

(a) What is meant by the term 'sole trader'?

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(b) A nursery school is classified as a tertiary sector activity. Identify two other examples of businesses that are also in the tertiary sector.

Example 1:
Example 2: [2]

(c) Identify and explain two advantages to Sarah of having a business partner.

Advantage 1:
Explanation:
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..... [4]

(d) Identify and explain **three** factors Sarah should consider when choosing a suitable location for a new nursery.

*For
Examiner's
Use*

Factor 1:

Explanation:

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Factor 2:

Explanation:

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Factor 3:

Explanation:

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(e) Do you think that it would be a good idea for Sarah to continue to expand her business? Justify your answer.

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For
Examiner's
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3 Mayfair Solutions, a public limited company, develops software packages for customers. The staff it employs are highly paid, but Mayfair Solutions believes that this is money well spent. The company has to keep updating its software packages because customer requirements keep changing. The software market is very competitive.

(a) What is meant by the term 'public limited company'?

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(b) Identify **two** features of a very competitive market.

Feature 1:
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Feature 2:
..... [2]

(c) Identify and explain **two** possible reasons why the staff at Mayfair Solutions are paid high wages.

Reason 1:
Explanation:
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Reason 2:
Explanation:
..... [4]

- (d) Identify and explain **three** problems that the need to keep updating its software packages may create for Mayfair Solutions.

*For
Examiner's
Use*

Problem 1:

Explanation:

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Problem 2:

Explanation:

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Problem 3:

Explanation:

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- (e) Mayfair Solutions has recently received a takeover bid from a large rival software company. Do you think that this takeover would benefit both employees and shareholders of Mayfair Solutions? Justify your answer.

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For
Examiner's
Use

1 Homeright is a company that makes furniture such as tables and chairs. The company is successful and has grown rapidly in recent years. However the directors have found it difficult to manage the speed of growth. The Managing Director recently said that even more growth is planned for next year. The product range will be doubled and foreign markets entered.

(a) Identify **two** possible reasons why the directors want Homeright to grow.

Reason 1:

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Reason 2:

..... [2]

(b) Identify **two** ways of measuring the success of a business.

Way 1:

Way 2: [2]

(c) Identify and explain **two** possible problems for Homeright of selling its products in foreign markets for the first time.

Problem 1:

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Explanation:

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Problem 2:

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Explanation:

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- (d) Identify and explain **two** problems to Homeright's management that rapid growth could cause.

*For
Examiner's
Use*

Problem 1:

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Explanation:

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Problem 2:

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Explanation:

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- (e) Do you think that the profits of Homeright will continue to increase if the company grows in the future? Justify your answer.

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4 Country A has a mix of private sector and public sector enterprises. Figures 1–3 give some data about the two sectors.

Fig. 1: Average hourly wage

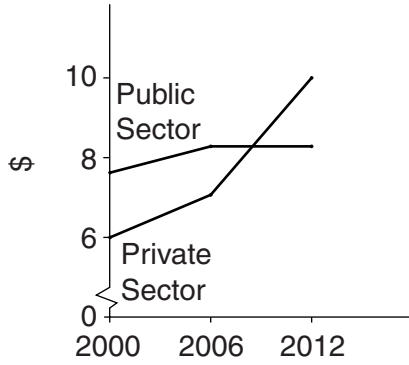


Fig. 2: Average hours worked per week

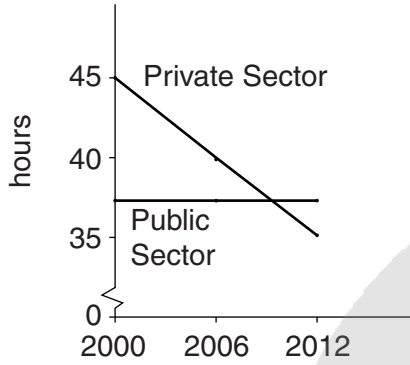
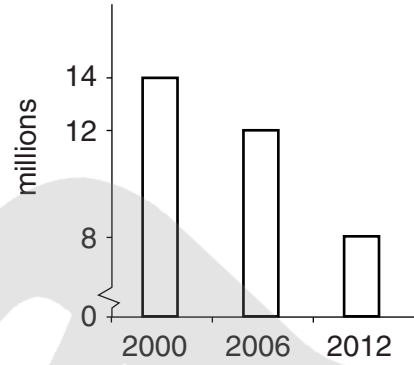


Fig. 3: Number of employees in public sector



(a) Identify **two** examples of public sector enterprises.

Example 1:

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Example 2:

..... [2]

(b) Identify **two** aims that public sector enterprises often have.

Aim 1:

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Aim 2:

..... [2]

(c) Identify and explain **two** reasons why profits are important to private sector businesses.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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- (d) Consider **each** of the Figures 1–3. Identify and explain **three** changes that are shown by the data in Figures 1–3.

For
Examiner's
Use

Change in Figure 1:

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Explanation:

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Change in Figure 2:

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Explanation:

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Change in Figure 3:

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Explanation:

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- (e) Do you think that a large decrease in the number of employees in the public sector in country A will benefit all workers? Justify your answer.

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For
Examiner's
Use

5 Dmit is a partner in a small retail clothing business. The business has been successful, but it is finding it difficult to compete against larger retailers. The partners are thinking of converting the partnership into a private limited company.

(a) Identify **two** features of a partnership.

Feature 1:

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Feature 2:

..... [2]

(b) Identify **two** ways of measuring the success of a business.

Way 1:

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Way 2:

..... [2]

(c) Identify and explain **two** reasons why the business might be finding it difficult to compete against larger retailers.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

..... [4]

(d) Identify and explain **three** methods of promotion that the partnership could use to increase sales.

Method 1:

Explanation:

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Method 2:

Explanation:

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Method 3:

Explanation:

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..... [6]

(e) Consider the advantages and disadvantages of converting the partnership into a private limited company. Recommend whether the partners should do this. Justify your answer.

Advantages:

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Disadvantages:

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Recommendation:

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2

1 Abdula manages a business partnership that makes sports clothing. The business is working at full capacity. It employs 12 people who are paid on a piece rate basis. The partners have an objective to increase profits by 10% each year for the next 5 years. They are thinking about a joint venture with another manufacturer of sports clothing as one way of achieving this objective.

(a) What is meant by a 'business partnership'?

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(b) Identify **two** ways of paying workers that the partnership could use (other than by piece rates).

Way 1:
Way 2:[2]

(c) Identify and explain **two** advantages to this business of setting objectives.

Advantage 1:
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Explanation:
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Advantage 2:
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Explanation:
.....[4]

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- (d) Identify and explain **two** advantages to the partnership of a joint venture with another manufacturer of sports clothing.

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

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.....[6]

- (e) Explain **two** ways (apart from a joint venture) that the partnership could use to achieve its objective of a 10% annual increase in its profit over the next 5 years. Recommend which way is most likely to be successful. Justify your answer.

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4 The Government of country B plans to build a new airport. A Government spokesperson said: 'There will be external costs, but I think there will be more benefits for the local community. We have to support businesses such as airlines in the private sector'. RU Air is one of the world's most profitable airlines. RU has announced plans on its website that it will operate flights to and from country B in the future. RU is a public limited company.

(a) What is meant by the 'private sector'?

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.....[2]

(b) Identify **two** ways the Government might support RU Air and other private sector business activity (other than by building a new airport).

Way 1:
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Way 2:
.....[2]

(c) Identify and explain **two** benefits to RU Air of high profits.

Benefit 1:
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Explanation:
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Benefit 2:
.....
Explanation:
.....[4]

(d) Identify and explain **two** benefits for RU Air of having a website.

Benefit 1:

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Explanation:

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Benefit 2:

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Explanation:

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(e) Do you agree that there are likely to be more advantages for the local community from the new airport than disadvantages? Justify your answer.

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Unit 2

People in Business

Categorised

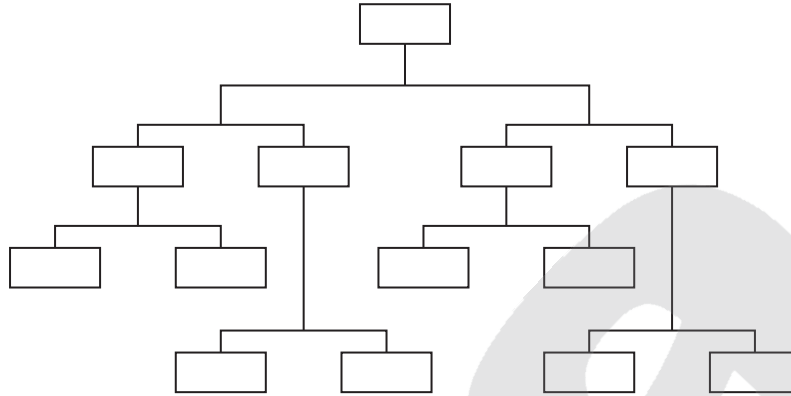
Past Papers



- 5 Fig. 2 shows the organisational structure of ABC, a business that manufactures toys. As the business has grown, the management has found it difficult to maintain good internal communication and to control activities. ABC always recruits its senior managers from within the company.

For
Examiner's
Use

Fig. 2: ABC's organisational structure



- (a) What is meant by the term 'internal communication'?

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..... [2]

- (b) Identify **two** features of the organisational structure of ABC as shown in Fig. 2.

Feature 1:

Feature 2: [2]

- (c) Identify and explain **two** reasons why managers may be reluctant to delegate tasks to employees in their organisation.

Reason 1:

Explanation:

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Reason 2:

Explanation:

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..... [4]

(d) Identify and explain **three** advantages to ABC of recruiting senior managers from within the business.

*For
Examiner's
Use*

Advantage 1:

Explanation:

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Advantage 2:

Explanation:

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Advantage 3:

Explanation:

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..... [6]

(e) Recommend **two** ways in which communication could be improved in a large organisation. Justify your recommendations.

Way 1:

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Way 2:

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For
Examiner's
Use

4 Wesso is a large manufacturing business. Many workers complain about poor communication in the business. Wesso pays its factory workers a basic wage plus a bonus. The Human Resources Director wants to introduce new working practices in its factories, such as making workers more flexible in their jobs. The aim is to improve productivity and cut costs. The trade union leader is opposed to these changes.

(a) What is meant by the term 'productivity'?

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(b) Identify **two** reasons why communication within a large business is often difficult.

Reason 1:
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Reason 2:
..... [2]

(c) Identify and explain **two** possible reasons why Wesso uses bonuses as a means of paying staff.

Reason 1:
Explanation:
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Reason 2:
Explanation:
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..... [4]

(d) Identify and explain **three** non-financial ways of motivating the staff in a business.

For
Examiner's
Use

Way 1:

Explanation:

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Way 2:

Explanation:

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Way 3:

Explanation:

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..... [6]

(e) How can the management at Wesso persuade the trade union to accept the proposed changes in working practices? Justify your answer.

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For
Examiner's
Use

3 Kemptown Fried Chicken is a chain of fast food restaurants. The business is unsuccessful because it is badly managed. There is no organisational structure. Job tasks and roles are unclear. The workers are demotivated and low paid. Communication in the business is poor and meetings are rarely held because the management think they are 'a non-productive use of time'.

(a) What is meant by the term 'organisational structure'?

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(b) What is meant by 'communication in the business is poor'?

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..... [2]

(c) Identify and explain **two** advantages of delegating tasks in an organisation.

Advantage 1:
Explanation:
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Advantage 2:
Explanation:
.....
..... [4]

(d) Identify and explain **three** reasons why meetings between managers and workers can benefit the business.

*For
Examiner's
Use*

Reason 1:

Explanation:

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Reason 2:

Explanation:

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Reason 3:

Explanation:

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..... [6]

(e) How effective is money in motivating workers? Justify your answer.

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For
Examiner's
Use

4 Cole Brokers is a medium sized company. The company provides a range of insurance products to customers around the world. It operates in a highly competitive market. Many insurance businesses are now using the Internet as a way to sell their products. The management of Cole Brokers has been looking at its current organisational structure. They think the span of control and chain of command need to be changed.

(a) What is meant by 'organisational structure'?

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..... [2]

(b) What is meant by 'chain of command'?

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..... [2]

(c) Identify and explain **two** possible disadvantages for a business of having a wide span of control.

Disadvantage 1:
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Explanation:
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Disadvantage 2:
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Explanation:
..... [4]

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- (d) Identify and explain **three** reasons why effective communication within a business is important to the management.

*For
Examiner's
Use*

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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Reason 3:

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Explanation:

..... [6]

- (e) The management of Cole Brokers think that the disadvantages of e-commerce are greater than the advantages to their business. Do you agree? Justify your answer.

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For
Examiner's
Use

5 Sachs-Tech makes parts for the mobile phone industry. Sales have risen very quickly. The company needs a new factory to meet demand. The management is not sure where to build the factory. The company is currently looking to recruit three new production supervisors. The Human Resources manager, Manuel, is busy writing a job description and person specification for these supervisor roles.

(a) What is meant by a 'job description'?

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..... [2]

(b) Identify **two** possible features of a person specification.

Feature 1:
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Feature 2:
..... [2]

(c) Identify and explain **two** suitable places where Manuel could advertise the vacancies.

Place 1:
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Explanation:
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Place 2:
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Explanation:
..... [4]

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- (d) Identify and explain **three** factors that Sachs-Tech should consider when deciding where to locate a new factory.

*For
Examiner's
Use*

Factor 1:

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Explanation:

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Factor 2:

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Explanation:

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Factor 3:

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Explanation:

..... [6]

- (e) The Finance manager is worried that the business might be growing too quickly. Do you think he is right to be worried? Justify your answer.

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8

For
Examiner's
Use

4 Cole Brokers is a medium sized company. The company provides a range of insurance products to customers around the world. It operates in a highly competitive market. Many insurance businesses are now using the Internet as a way to sell their products. The management of Cole Brokers has been looking at its current organisational structure. They think the span of control and chain of command need to be changed.

(a) What is meant by 'organisational structure'?

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..... [2]

(b) What is meant by 'chain of command'?

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..... [2]

(c) Identify and explain **two** possible disadvantages for a business of having a wide span of control.

Disadvantage 1:
.....
Explanation:
.....
Disadvantage 2:
.....
Explanation:
..... [4]

9

- (d) Identify and explain **three** reasons why effective communication within a business is important to the management.

*For
Examiner's
Use*

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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Reason 3:

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Explanation:

..... [6]

- (e) The management of Cole Brokers think that the disadvantages of e-commerce are greater than the advantages to their business. Do you agree? Justify your answer.

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For
Examiner's
Use

5 Sachs-Tech makes parts for the mobile phone industry. Sales have risen very quickly. The company needs a new factory to meet demand. The management is not sure where to build the factory. The company is currently looking to recruit three new production supervisors. The Human Resources manager, Manuel, is busy writing a job description and person specification for these supervisor roles.

(a) What is meant by a 'job description'?

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..... [2]

(b) Identify **two** possible features of a person specification.

Feature 1:
.....
Feature 2:
..... [2]

(c) Identify and explain **two** suitable places where Manuel could advertise the vacancies.

Place 1:
.....
Explanation:
.....
Place 2:
.....
Explanation:
..... [4]

(d) Identify and explain **three** factors that Sachs-Tech should consider when deciding where to locate a new factory.

*For
Examiner's
Use*

Factor 1:

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Explanation:

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Factor 2:

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Explanation:

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Factor 3:

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Explanation:

..... [6]

(e) The Finance manager is worried that the business might be growing too quickly. Do you think he is right to be worried? Justify your answer.

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For
Examiner's
Use

1 IRKAM is a company that produces high quality doors for hotels and offices. The company currently uses job production. The Managing Director, Abdul, believes that quality control is important. He is looking for ways to increase productivity. All workers receive on-the-job training. Abdul is thinking of including off-the-job training as well.

(a) What is meant by 'productivity'?

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..... [2]

(b) What is meant by 'on-the-job training'?

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..... [2]

(c) Identify and explain **one** advantage and **one** disadvantage of off-the-job training for IRKAM.

Advantage:

Explanation:

Disadvantage:

Explanation:

[4]

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(d) Identify and explain **two** reasons why quality control might be important to IRKAM.

For
Examiner's
Use

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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(e) Over the past three years there has been a large increase in demand for IRKAM's doors. Do you think job production is still the best method of production for IRKAM? Justify your answer.

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For
Examiner's
Use

5 K & P is a large group of shops selling televisions. The directors of K & P use an autocratic management style. Spans of control are narrow and communication is only one-way. Many workers leave K & P each year and this is a problem for the business. The motivation of the workforce is low as workers feel they are unimportant.

(a) What is meant by 'autocratic management style'?

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..... [2]

(b) What is meant by 'span of control'?

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..... [2]

(c) Identify and explain **two** disadvantages of one-way communication for K & P's management team.

Disadvantage 1:

Explanation:

Disadvantage 2:

Explanation:

[4]

(d) Identify and explain **three** methods that K & P could use to improve worker motivation.

*For
Examiner's
Use*

Method 1:

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Explanation:

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Method 2:

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Explanation:

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Method 3:

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Explanation:

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(e) Should K & P try to reduce the number of workers leaving each year? Justify your answer.

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For
Examiner's
Use

3 Emir is the Production manager at a large food production factory. He wants to lower average cost to help the business remain competitive. All workers are paid using time rate. Emir believes that good internal communication is important. The company has decided to stop importing raw materials as this causes a lot of problems. Emir must choose a suitable method of communication to tell the overseas suppliers of his decision.

(a) What is meant by 'internal communication'?

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..... [2]

(b) Identify **two** suitable methods of communication Emir could use to tell the overseas suppliers of his decision to stop importing raw materials.

Method 1:
Method 2: [2]

(c) Identify and explain **two** payment methods for workers that this business could use (other than time rate).

Method 1:
Explanation:
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.....
Method 2:
Explanation:
..... [4]

(d) Identify and explain **two** possible problems of importing raw materials for this food production business.

*For
Examiner's
Use*

Problem 1:

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Explanation:

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Problem 2:

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Explanation:

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..... [6]

(e) Explain **two** ways in which the Production manager could reduce average cost. Recommend which way should be used. Justify your answer.

Way 1:

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Way 2:

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Recommendation:

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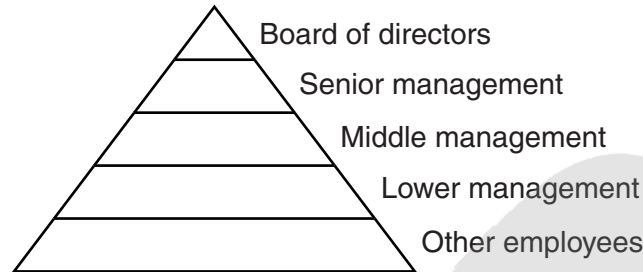
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- 4 Grenada makes meat products such as pies, burgers and ready-made meals. It employs 10000 workers. It operates in many countries, each with different laws and traditions. Its organisation structure is tall and hierarchical. Spans of control are narrow and there is little delegation. Some middle managers complain that they are not allowed to make important decisions. The directors want to improve communication with employees.

Figure 2: Organisational structure of Grenada



- (a) Identify **two** features of a ‘tall and hierarchical’ organisation structure.

Feature 1:

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Feature 2:

..... [2]

- (b) Use Figure 2 to explain what is meant by ‘chain of command’.

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- (c) Identify and explain **two** appropriate ways that the directors of Grenada can use to communicate with employees.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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(d) Identify and explain **two** disadvantages to Grenada of operating in a number of different countries.

Disadvantage 1:

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Explanation:

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Disadvantage 2:

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Explanation:

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.....[6]

(e) Do you think that Grenada would benefit from greater delegation in its decision making? Justify your answer.

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4 Genel manufactures clothes. The company uses an autocratic style of management. It employs a large number of workers and pays low wages. Many employees leave the company each year but they are easily replaced. Working conditions in the factories are poor. Health and safety is ignored and long hours are worked. Employee motivation is low and employee productivity is falling.

(a) What is meant by an ‘autocratic style of management’?

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.....[2]

(b) Identify **two** possible reasons why Genel ignores health and safety in its factory.

Reason 1:
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Reason 2:
.....[2]

(c) Identify and explain **two** ways in which Genel would benefit from a more motivated workforce.

Way 1:
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Explanation:
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Way 2:
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Explanation:
.....[4]

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(d) Identify and explain **two** ways that Genel could use to improve employee productivity in its factories.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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(e) Do you think Governments should introduce laws to protect employees' interests in businesses such as Genel? Justify your answer.

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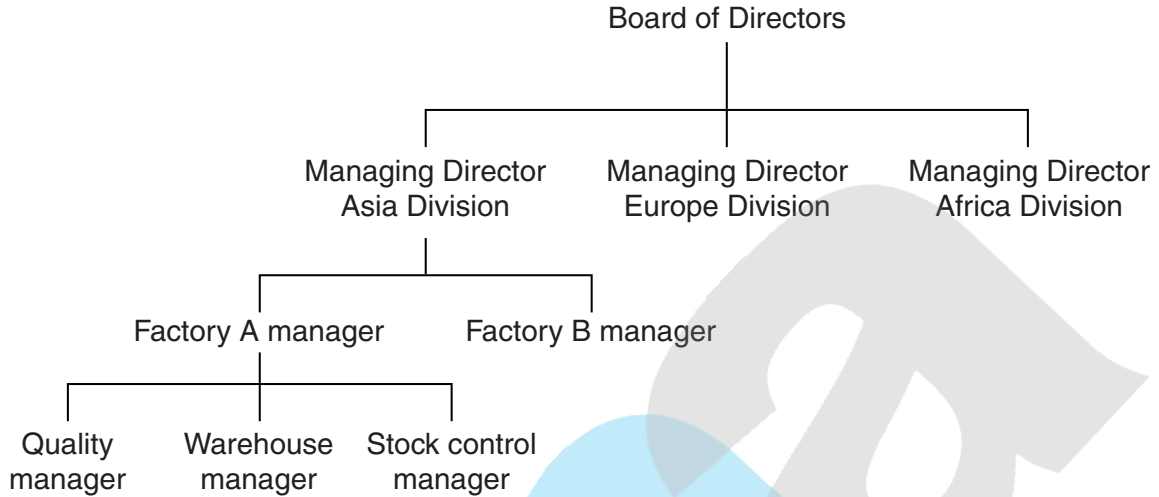
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- 5 Zalpha is a multinational company. It manufactures agricultural machinery and employs a large number of people. Figure 1 shows a simplified organisation chart for the business. The business decision making is centralised and some employees complain of poor communications within the company.

Figure 1



- (a) What is meant by a 'multinational company'?

[2]
- (b) Using only the information in Figure 1:
 - (i) Identify the span of control of the Managing Director of the Asia division.
[1]
 - (ii) How many levels are there in the chain of command?
[1]
- (c) Identify and explain **two** possible reasons why Zalpha has poor internal communications.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

.....[4]

(d) Identify and explain **two** advantages to Zalpha of using centralised decision making.

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

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(e) Do you think that multinational companies such as Zalpha benefit the countries in which they operate? Justify your answer.

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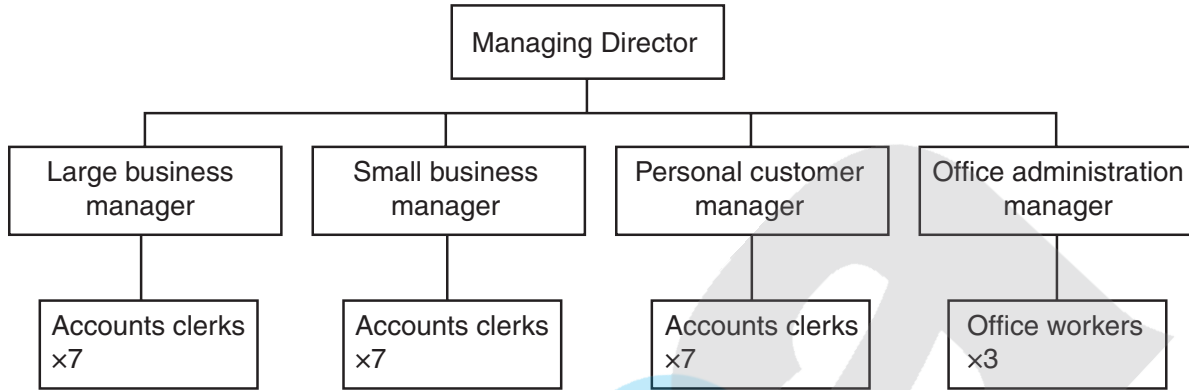
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2

For
Examiner's
Use

- 1 Tim is the Managing Director of TPW, which is a successful accountancy business. It prepares the accounts for small and large businesses and personal customers. Tim believes in a democratic management style. Employees are paid by time rate. Tim plans to change how employees are rewarded. Tim wants to invest in new information technology in the office. He is not sure that this will help the business increase its profits.

Fig. 1: TPW organisational chart



- (a) What is meant by 'paid by time rate'?

.....

.....

.....

..... [2]

- (b) Calculate the following.

The span of control for the Managing Director: [1]

The number of levels in the hierarchy: [1]

- (c) Identify and explain **two** advantages to TPW of Tim's democratic management style.

Advantage 1:

.....

Explanation:

.....

Advantage 2:

.....

Explanation:

..... [4]

3

- (d) Identify and explain **two** methods (other than time rate) that TPW could use to reward its employees.

*For
Examiner's
Use*

Method 1:

.....

Explanation:

.....

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Method 2:

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Explanation:

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..... [6]

- (e) Do you think that introducing new information technology in the office will help improve the profitability of TPW? Justify your answer.

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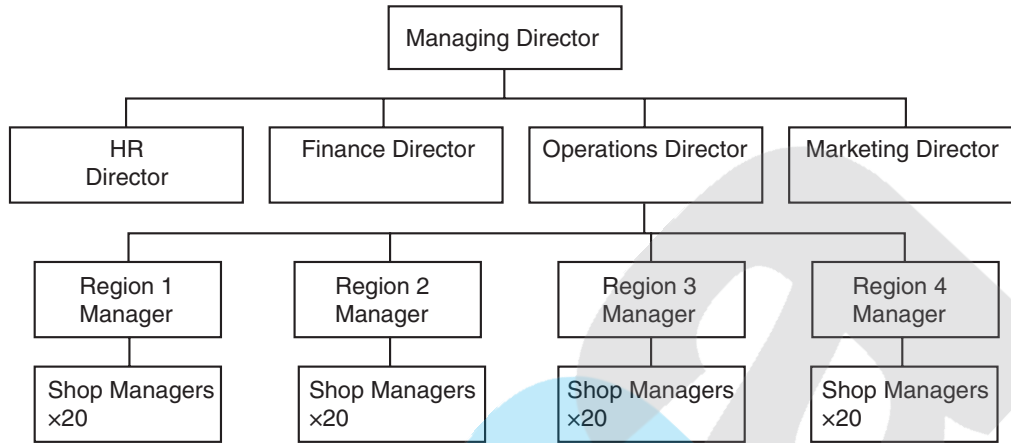
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..... [6]

- 1 LEK owns 80 electrical shops. It sells products such as cell (mobile) phones and televisions. The Marketing Director believes offering customers a choice of products helps LEK to be competitive. LEK must use suitable ways to communicate with its customers. LEK’s directors are planning a takeover of a competitor. This competitor owns 40 shops and operates in the same 4 regions as LEK.

Fig. 1: LEK organisational chart



- (a) What is meant by ‘span of control’?

.....
 [2]

- (b) Identify **two** factors (other than offering choice and having good communication) which could help make LEK more competitive.

Factor 1:

 Factor 2:
 [2]

- (c) Identify and explain **two** benefits to LEK of having an organisational chart.

Benefit 1:

 Explanation:

 Benefit 2:

 Explanation:
 [4]

3

(d) Identify and explain **two** suitable methods of communication that LEK could use to communicate with its customers.

Method 1:

Explanation:

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Method 2:

Explanation:

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..... [6]

(e) Do you think that the takeover of the competitor would benefit LEK? Justify your answer.

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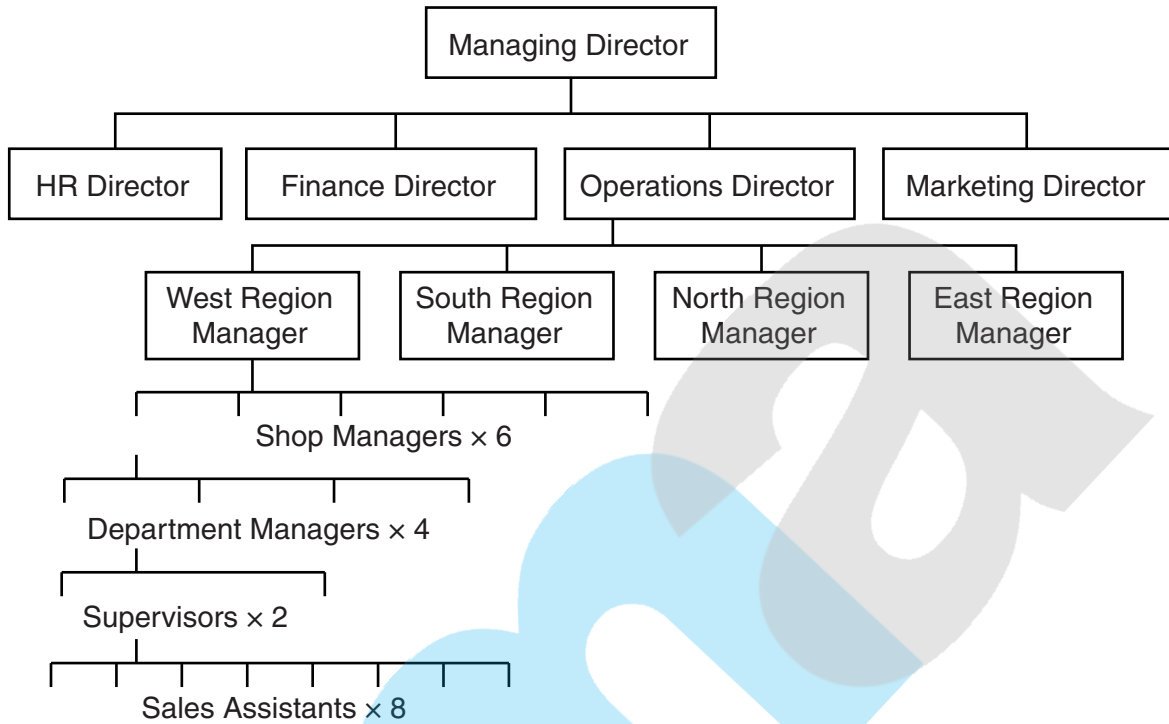
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- 5 Callow is a large retail business based in country X. ‘Our employees are an important stakeholder’, said the Managing Director. ‘To make sure we stay profitable we need to motivate them.’ Callow trains all of its shop employees by using off the job training.

Fig. 1: Callow Organisation Structure



- (a) Identify **two** stakeholder groups, other than employees.

Stakeholder group 1:

Stakeholder group 2: [2]

- (b) Identify **two** functions of management that each shop manager will have to perform.

Function 1:

Function 2: [2]

- (c) Identify and explain **two** features of Callow’s organisational structure.

Feature 1:

Explanation:

.....

.....

Feature 2:

Explanation:

.....

..... [4]

11

- (d) Identify and explain **two** possible methods that Callow could use to improve the motivation of its employees.

Method 1:

.....

Explanation:

.....

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Method 2:

.....

Explanation:

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.....[6]

- (e) Do you think it is a good idea for Callow to use off the job training for all its shop employees? Justify your answer.

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.....[6]

Unit 3

Marketing

Categorised

Past Papers



6

For
Examiner's
Use

3 Crispy Crunch is the brand name of a breakfast cereal made by Banbury. The business spends a lot of money on promoting its brands. Some Banbury managers think this spending is not cost effective. 'Perhaps modernising our factories to automate the production process would be a better use of our capital' said one manager, 'I think a lot of our marketing expenditure is wasted'.

(a) What is meant by the term 'brand name'?

.....
.....
.....
..... [2]

(b) What is meant by the term 'capital'?

.....
.....
.....
..... [2]

(c) Identify and explain **two** reasons why spending money on advertising might not be cost effective.

Reason 1:

Explanation:

.....
.....

Reason 2:

Explanation:

.....
..... [4]

7

- (d) Identify and explain **three** factors that a company should consider in deciding on the name for a new brand of breakfast cereal.

*For
Examiner's
Use*

Factor 1:

Explanation:

.....

.....

Factor 2:

Explanation:

.....

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Factor 3:

Explanation:

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..... [6]

- (e) Do you think that automation in the factory would benefit Banbury's employees and shareholders? Justify your answer.

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..... [6]

4

For
Examiner's
Use

2 Cycles4u make a wide range of bicycles. The business is 'product orientated' as it believes that good products will sell easily. The business does not use any market research to help in decision making. However, Cycles4u does spend a lot of money on promoting its products to the target markets.

(a) What is meant by the term 'product orientated'?

.....
.....
.....
..... [2]

(b) What is meant by the term 'target market'?

.....
.....
.....
..... [2]

(c) Identify and explain **two** possible disadvantages to a business of having a wide product range.

Disadvantage 1:

Explanation:

.....
.....

Disadvantage 2:

Explanation:

.....
..... [4]

5

- (d) Identify and explain **three** channels of distribution that Cycles4u could use to help launch a new range of bicycles.

*For
Examiner's
Use*

Channel 1:

Explanation:

.....

.....

Channel 2:

Explanation:

.....

.....

Channel 3:

Explanation:

.....

..... [6]

- (e) Do you think that Cycles4u should use market research in the future? Justify your answer.

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..... [6]

4

For
Examiner's
Use

2 Early Tots makes wooden toys for children. The business uses both primary and secondary market research data to decide what products to make. It has a wide range of toys but some of the products are nearing the end of their product life cycle. The managers are thinking about using extension strategies for these products.

(a) What is meant by the term 'secondary market research'?

.....
.....
.....
..... [2]

(b) What is meant by the term 'product life cycle'?

.....
.....
.....
..... [2]

(c) Identify and explain **two** methods that Early Tots could use to gather primary market research data.

Method 1:

Explanation:

.....
.....

Method 2:

Explanation:

.....
..... [4]

5

(d) Identify and explain **three** extension strategies that Early Tots could use.

For
Examiner's
Use

Strategy 1:

Explanation:

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Strategy 2:

Explanation:

.....

.....

Strategy 3:

Explanation:

.....

..... [6]

(e) Consider the advantages and disadvantages of **two** channels of distribution that Early Tots could use for a new range of wooden toys. Recommend which channel Early Tots should use. Justify your answer.

Channel 1:

.....

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Channel 2:

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Recommendation:

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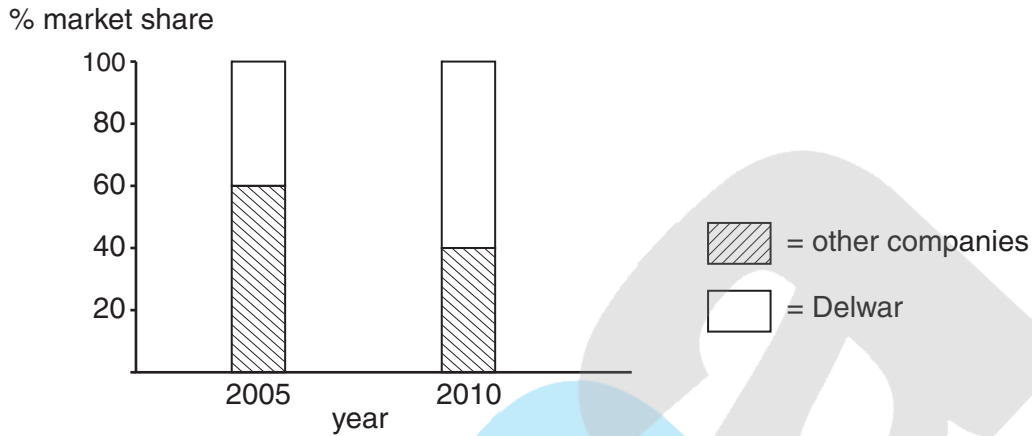
..... [6]

8

For
Examiner's
Use

- 4 Delwar makes car tyres. The business is located in country Z. At present, all its sales are to customers in country Z. Delwar is the market leader in this country. Fig. 1 gives data regarding its market share. The total value of car tyre sales in country Z in 2010 was \$50m. This market is no longer growing. The Managing Director of Delwar thinks that exporting tyres is the way forward. There will be both costs and benefits of exporting tyres.

Fig. 1: Bar chart showing market share



- (a) What is meant by the term 'market leader'?

.....

.....

.....

..... [2]

- (b) Calculate the value of Delwar's sales in 2010.

.....

..... [2]

- (c) Identify and explain **two** possible reasons why the market for car tyres in country Z is no longer growing.

Reason 1:

Explanation:

.....

.....

Reason 2:

Explanation:

.....

..... [4]

9

- (d) Identify and explain **three** methods Delwar could use to increase its market share in country Z.

For
Examiner's
Use

Method 1:

Explanation:

.....

.....

Method 2:

Explanation:

.....

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Method 3:

Explanation:

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..... [6]

- (e) Do you think Delwar's profits would increase if the business were to export its tyres? Justify your answer.

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..... [6]

4

For
Examiner's
Use

2 Party Pops is a business that sells products such as cakes and balloons for childrens' birthday parties. The Marketing Director thinks that the demand for the company's products is price elastic. Party Pops advertises on television. The products are sold through the company's own retail shops. However, the Marketing Director is thinking of changing this to selling only on the Internet.

(a) Identify **two** aims of advertising.

Aim 1:

.....

Aim 2:

..... [2]

(b) Identify **two** methods of pricing that Party Pops could use.

Method 1:

Method 2: [2]

(c) Identify and explain **two** reasons why the demand for the company's products is likely to be price elastic.

Reason 1:

.....

Explanation:

.....

Reason 2:

.....

Explanation:

..... [4]

5

- (d) Identify and explain **two** methods of promotion (other than advertising) that Party Pops could use to increase sales.

*For
Examiner's
Use*

Method 1:

.....

Explanation:

.....

.....

Method 2:

.....

Explanation:

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..... [6]

- (e) Do you think Party Pops should stop selling through shops and sell only on the Internet? Justify your answer.

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..... [6]

6

For
Examiner's
Use

3 Yura is the Managing Director of a company that sells holidays. The company organises hotels, air flights and car hire for customers. For the first time, the company is going to do some market research. Secondary sources will be used and a sample of customers will be selected for primary research.

(a) What is meant by 'market research'?

.....
.....
.....
..... [2]

(b) Identify **two** advantages of using secondary sources.

Advantage 1:
.....
Advantage 2:
..... [2]

(c) Identify and explain **two** methods of sampling that the company could use.

Method 1:
Explanation:
.....
.....
Method 2:
Explanation:
.....
..... [4]

- (d) Identify and explain **two** ways of segmenting the market for holidays that the company could use.

*For
Examiner's
Use*

Way 1:

.....

Explanation:

.....

.....

Way 2:

.....

Explanation:

.....

.....

..... [6]

- (e) Yura believes that the price is the most important part of the marketing mix for holidays. Do you think that he is correct? Justify your answer.

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..... [6]

4

For
Examiner's
Use

2 B&G manufactures a popular hair shampoo called Slick. The Managing Director thinks that Slick is near the end of its product life cycle. He believes it would be better to use extension strategies rather than develop a new product. The Operations Director thinks quality control can help the business comply with new consumer protection laws.

(a) What is meant by 'quality control'?

.....
.....
.....
..... [2]

(b) Identify **two** stages of the product life cycle.

Stage 1:
Stage 2: [2]

(c) Identify and explain **two** ways in which consumer protection laws could benefit B&G's customers.

Way 1:
.....
Explanation:
.....
Way 2:
.....
Explanation:
..... [4]

5

(d) Identify and explain **three** possible problems for B&G when developing a new product.

*For
Examiner's
Use*

Problem 1:

.....

Explanation:

.....

Problem 2:

.....

Explanation:

.....

Problem 3:

.....

Explanation:

..... [6]

(e) Explain **two** possible extension strategies that B&G could use for Slick. Recommend which strategy the company should use. Justify your answer.

Strategy 1:

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.....

.....

Strategy 2:

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.....

Recommendation:

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..... [6]

4

For
Examiner's
Use

2 Gayle's Soaps is a business which manufactures health and beauty products. Its market share has remained constant at 15% despite new businesses entering this market. The business uses market segmentation. Most of its customers are women. The Marketing manager believes the company could increase its profits if it increases the price of each of its most popular products.

(a) What is meant by 'market share'?

.....
.....
.....
..... [2]

(b) Identify **two** ways (other than gender) that Gayle's Soaps could segment its market.

Way 1:
Way 2: [2]

(c) Identify and explain **two** advantages of market segmentation for Gayle's Soaps.

Advantage 1:
.....
Explanation:
.....
Advantage 2:
.....
Explanation:
..... [4]

5

(d) Identify and explain **three** problems that a business might have when trying to enter a new market.

*For
Examiner's
Use*

Problem 1:

.....

Explanation:

.....

Problem 2:

.....

Explanation:

.....

Problem 3:

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Explanation:

..... [6]

(e) Do you think that if Gayle's Soaps decides to increase prices then this will lead to higher profits? Justify your answer.

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6

3 Kruger manufactures advanced technology products such as computers and mobile (cell) phones. Some of its products are in the maturity stage of their product life cycle. Technology markets are very competitive. Rival businesses are always introducing new products. Kruger’s Marketing Director would like to see better market segmentation and increased brand awareness of products. She also wants the company to launch new products.

(a) What is meant by ‘the maturity stage’ of a product life cycle?

.....
.....
.....
.....[2]

(b) Identify **two** costs to Kruger of launching a new product.

Cost 1:
.....
Cost 2:
.....[2]

(c) Identify and explain **two** ways Kruger could increase consumers’ brand awareness of its mobile phones.

Way 1:
.....
Explanation:
.....
Way 2:
.....
Explanation:
.....[4]

(d) Identify and explain **two** ways of segmenting the mobile phone market.

Way 1:

.....

Explanation:

.....

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Way 2:

.....

Explanation:

.....

.....

..... [6]

(e) Recommend an appropriate pricing strategy to Kruger for a new mobile phone. Justify your answer.

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..... [6]

2

1 Anouk is a sole trader. She designs and makes jewellery at home, using hired (rented) equipment. Anouk enjoys selling the jewellery at local markets. Last year her sales revenue increased by \$500 to \$3000. She plans to use \$50 for a marketing budget. Anouk would like to do some primary market research when she has time. Anouk thinks she should have a business partner.

(a) What is meant by a 'marketing budget'?

.....
.....
.....
.....[2]

(b) Identify **two** methods of primary market research that Anouk could use.

Method 1:
Method 2:[2]

(c) Identify and explain **two** possible advantages for Anouk of **hiring** equipment.

Advantage 1:
.....
Explanation:
.....
Advantage 2:
.....
Explanation:
.....[4]

3

(d) Identify and explain **two** disadvantages to Anouk of having a business partner.

Disadvantage 1:

.....

Explanation:

.....

.....

Disadvantage 2:

.....

Explanation:

.....

.....

..... [6]

(e) Anouk could use either leaflets or local newspaper advertising as methods of promoting her jewellery. Recommend which method you think Anouk should use. Justify your answer.

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..... [6]

2

1 Walt owns a company which has developed a new computer game for adults. A focus group report shows customers like it. Walt has been considering the marketing mix, including the packaging for this product which is likely to be sold in many countries. 'I don't want to use a wholesaler as it would affect my profit margin' he said.

(a) What is meant by a 'focus group'?

.....
.....
.....
.....[2]

(b) Identify **two** reasons why packaging might be important for the new computer game.

Reason 1:
.....
Reason 2:
.....[2]

(c) Explain why the profit margin might be important for Walt's business.

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.....[4]

3

(d) Identify and explain **two** advantages to Walt if he decided to use a wholesaler to distribute his products.

Advantage 1:

.....

Explanation:

.....

.....

Advantage 2:

.....

Explanation:

.....

.....

.....[6]

(e) Consider **two** possible methods of promotion that Walt could use for the new game. Recommend which method he should use. Justify your answer.

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.....[6]

8

3 Mabel wants to set up her own hairdressing business. She will need to build good customer relationships. She has done some secondary market research to find out possible demand and what methods of promotion to use. She has decided to buy her inventory (stock) from a wholesaler. Mabel is now looking for the right location for her business. She thinks that location will be more important than price charged to the success of her business.

(a) Identify **two** ways that a business could build good customer relationships.

Way 1:

.....

Way 2:

..... [2]

(b) What is meant by 'secondary market research'?

.....

.....

.....

..... [2]

(c) Identify and explain **two** methods of promotion (other than promotional pricing) that Mabel might use.

Method 1:

Explanation:

.....

.....

Method 2:

Explanation:

.....

..... [4]

9

- (d) Identify and explain **two** possible disadvantages to Mabel of buying her inventory from a wholesaler.

Disadvantage 1:

.....

Explanation:

.....

.....

Disadvantage 2:

.....

Explanation:

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..... [6]

- (e) Do you think that the right location is more important than the prices she charges to the success of Mabel's business? Justify your answer.

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..... [6]

Unit 4

Operations

Management

Categorised

Past Papers



2

For
Examiner's
Use

- 1 Klaus is a sole trader who owns a window cleaning business. In the past, he cleaned windows himself, but now he is the manager and employs other people to do the cleaning. In order to attract new customers, Klaus puts advertisements for his business in local shop windows. Klaus plans to continue to expand his business, but knows he will need more capital.

Table 1 shows data for a typical week for Klaus' business.

Table 1

Average price per customer	\$10
Variable cost per customer	\$2
Weekly overheads	\$400
Number of customers	60

- (a) What is meant by the term 'variable cost'?

.....

.....

.....

..... [2]

- (b) Identify **two** advantages to Klaus of using local shop windows to advertise his business.

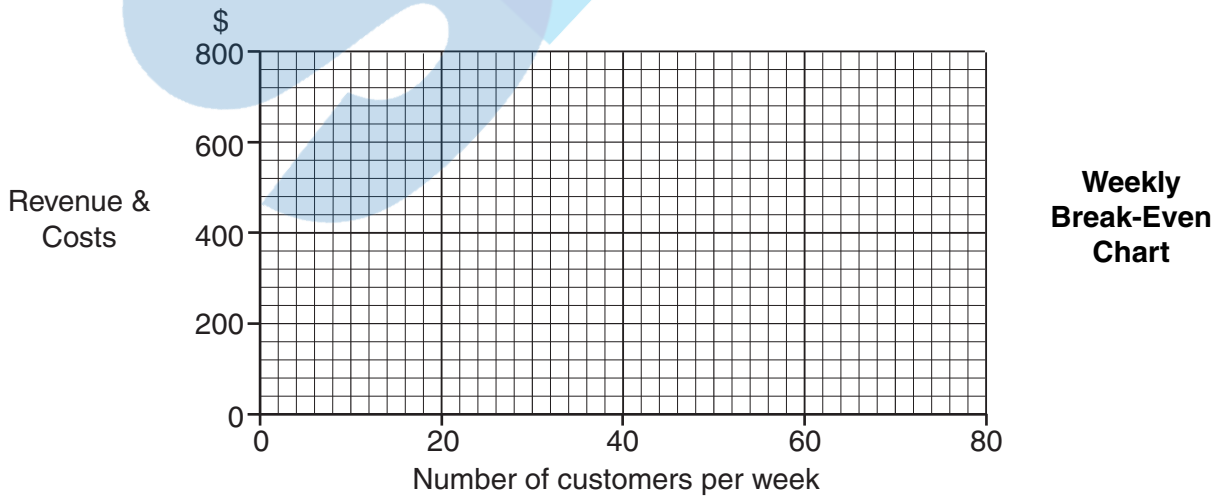
Advantage 1:

.....

Advantage 2:

..... [2]

- (c) Using the data given in Table 1, draw a break-even chart for Klaus' business.



[4]

3

(d) Identify and explain **three** management functions that Klaus performs.

For
Examiner's
Use

Function 1:

Explanation:

.....

.....

Function 2:

Explanation:

.....

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Function 3:

Explanation:

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..... [6]

(e) Recommend to Klaus **two** appropriate ways in which he could raise capital to expand his business. Justify your answer.

Way 1:

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Way 2:

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..... [6]

2

For
Examiner's
Use

- 1 Stilvan always wanted to run his own business. When he left school he borrowed money from his parents to start a gardening business. The business name is Stilvan Grass Cutters. Stilvan bought some equipment to cut grass and trees. Stilvan delivers leaflets to people's homes to promote his business.

Table 1 shows data for a typical week for Stilvan's business.

Table 1

Average price per customer	\$15
Variable cost per job	\$7
Weekly overheads	\$320
Number of customers	50

Demand for his services is seasonal and this causes problems for Stilvan.

- (a) Identify **two** objectives that Stilvan might have had when he set up his business.

Objective 1:

.....

Objective 2:

..... [2]

- (b) Identify **two** advantages of using leaflets as a method of promotion.

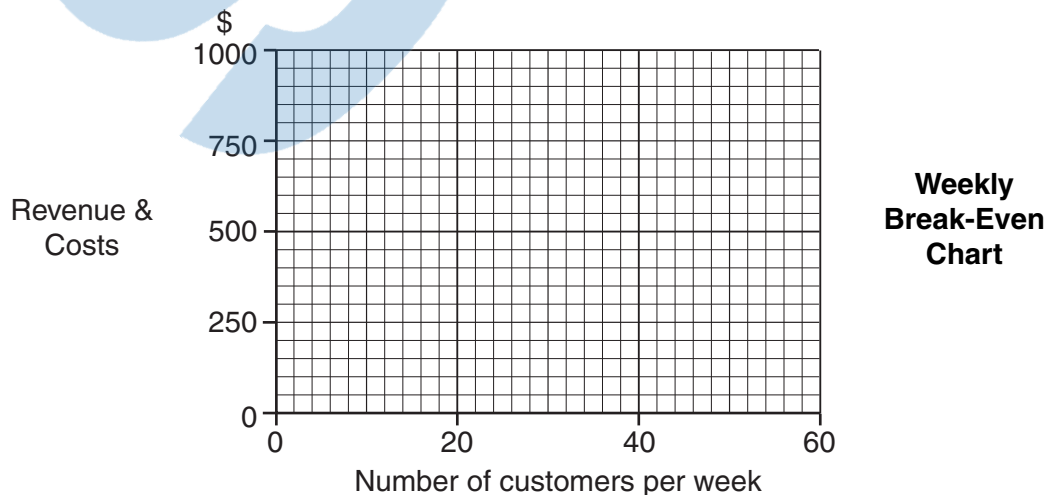
Advantage 1:

.....

Advantage 2:

..... [2]

- (c) Using the information given in Table 1, draw a break-even chart for Stilvan's business.



[4]

3

- (d) Identify and explain **three** problems that seasonal demand can cause for Stilvan's business.

*For
Examiner's
Use*

Problem 1:

Explanation:

.....

.....

Problem 2:

Explanation:

.....

.....

Problem 3:

Explanation:

.....

..... [6]

- (e) Stilvan wants to make his business more profitable. Recommend ways in which this could be achieved. Justify your answer.

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..... [6]

2

For
Examiner's
Use

- 1 Carlos was made redundant from his job in a factory. He used his redundancy money and some of his savings to start a new business. He bought a boat to give trips to tourists on a river near his home. The boat cost him \$150 000. Table 1 shows the revenue and cost estimates that Carlos made.

Table 1

Revenue per boat trip	\$80
Variable cost per boat trip	\$30
Average number of boat trips per week	25
Weekly overhead costs [fixed costs]	\$500

Carlos wanted his business to give him job security and to give a return on his investment of at least 20% each year. He estimates that annual profits will be \$37 500.

- (a) What is meant by ‘made redundant’?

.....

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.....

..... [2]

- (b) Identify **two** examples of overhead costs that Carlos might incur.

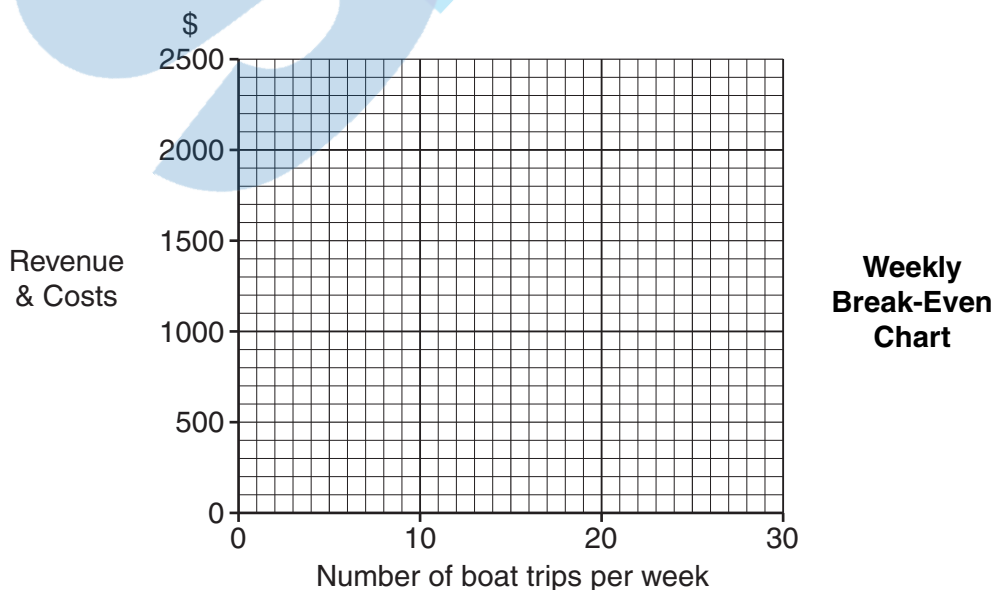
Example 1:

.....

Example 2:

..... [2]

- (c) Using the information given in Table 1, draw a break-even chart for Carlos’ business.



[4]

3

(d) Identify and explain **three** methods that Carlos could use to promote his new business.

*For
Examiner's
Use*

Method 1:

Explanation:

.....

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Method 2:

Explanation:

.....

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Method 3:

Explanation:

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..... [6]

(e) Carlos wanted his business to give him job security and a return on capital of at least 20%. Do you think that his business will help him achieve these objectives? Justify your answer.

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..... [6]

4

For
Examiner's
Use

2 Just4U manufactures motor car parts. The production methods are capital intensive. The management believes that the company benefits from economies of scale. However, problems with the workers in the factory have led to poor quality production. Despite this, the Managing Director believes that the company must continue to grow if it is to achieve its objectives. The business is planning a takeover of a competitor.

(a) What is meant by 'capital intensive'?

.....
.....
.....
..... [2]

(b) Identify **two** objectives that a business like Just4U might have.

Objective 1:
.....
Objective 2:
..... [2]

(c) Identify and explain **two** economies of scale from which Just4U could benefit.

Economy of scale 1:
.....
Explanation:
.....
Economy of scale 2:
.....
Explanation:
..... [4]

5

(d) Identify and explain **two** problems that poor quality might create for Just4U.

*For
Examiner's
Use*

Problem 1:

.....

Explanation:

.....

.....

Problem 2:

.....

Explanation:

.....

.....

..... [6]

(e) Do you think that a takeover of a competitor will benefit the shareholders of Just4U? Justify your answer.

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..... [6]

4

For
Examiner's
Use

2 Gresham Textiles manufactures high quality clothing. Production is labour intensive. Managers are paid more than production line workers in the factory. The business is investing in automated machinery. The management also wants to introduce lean production methods.

(a) What is meant by 'labour intensive'?

.....
.....
.....
..... [2]

(b) Identify **two** suitable sources of finance that Gresham Textiles could use to finance the investment in automated machinery.

Source 1:
Source 2: [2]

(c) Identify and explain **two** reasons why factory managers are paid more than production line workers at Gresham Textiles.

Reason 1:
.....
Explanation:
.....
Reason 2:
.....
Explanation:
..... [4]

5

(d) Identify and explain **two** ways lean production methods could reduce costs in the factory.

*For
Examiner's
Use*

Way 1:

Explanation:

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.....

.....

.....

Way 2:

Explanation:

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.....

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..... [6]

(e) Do you think that a change to automated methods of production would benefit **customers** of Gresham Textiles? Justify your answer.

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..... [6]

10

For
Examiner's
Use

5 Sachs-Tech makes parts for the mobile phone industry. Sales have risen very quickly. The company needs a new factory to meet demand. The management is not sure where to build the factory. The company is currently looking to recruit three new production supervisors. The Human Resources manager, Manuel, is busy writing a job description and person specification for these supervisor roles.

(a) What is meant by a 'job description'?

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.....
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..... [2]

(b) Identify **two** possible features of a person specification.

Feature 1:
.....
Feature 2:
..... [2]

(c) Identify and explain **two** suitable places where Manuel could advertise the vacancies.

Place 1:
.....
Explanation:
.....
Place 2:
.....
Explanation:
..... [4]

11

- (d) Identify and explain **three** factors that Sachs-Tech should consider when deciding where to locate a new factory.

*For
Examiner's
Use*

Factor 1:

.....

Explanation:

.....

Factor 2:

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Explanation:

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Factor 3:

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Explanation:

..... [6]

- (e) The Finance manager is worried that the business might be growing too quickly. Do you think he is right to be worried? Justify your answer.

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..... [6]

4

For
Examiner's
Use

2 Bray Electrics is a large manufacturing company. The company makes engine parts for the car industry using batch production. The Managing Director is always looking for ways to introduce new technology in the business. He believes 'our workers like change'. He is interested in using lean production methods.

(a) What is meant by 'batch production'?

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.....
.....
..... [2]

(b) Identify **two** ways of measuring the size of a company.

Way 1:
Way 2: [2]

(c) Identify and explain **two** benefits of lean production for a business.

Benefit 1:
.....
Explanation:
.....
Benefit 2:
.....
Explanation:
..... [4]

5

- (d) Identify and explain **three** advantages to the management of Bray Electrics of introducing new technology in the business.

*For
Examiner's
Use*

Advantage 1:

.....

Explanation:

.....

Advantage 2:

.....

Explanation:

.....

Advantage 3:

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Explanation:

..... [6]

- (e) The Managing Director believes 'our workers like change'. Do you think that all the workers at Bray Electrics would like the introduction of new technology? Justify your answer.

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..... [6]

10

For
Examiner's
Use

5 Sachs-Tech makes parts for the mobile phone industry. Sales have risen very quickly. The company needs a new factory to meet demand. The management is not sure where to build the factory. The company is currently looking to recruit three new production supervisors. The Human Resources manager, Manuel, is busy writing a job description and person specification for these supervisor roles.

(a) What is meant by a 'job description'?

.....
.....
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..... [2]

(b) Identify **two** possible features of a person specification.

Feature 1:
.....
Feature 2:
..... [2]

(c) Identify and explain **two** suitable places where Manuel could advertise the vacancies.

Place 1:
.....
Explanation:
.....
Place 2:
.....
Explanation:
..... [4]

11

- (d) Identify and explain **three** factors that Sachs-Tech should consider when deciding where to locate a new factory.

For
Examiner's
Use

Factor 1:

.....

Explanation:

.....

Factor 2:

.....

Explanation:

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Factor 3:

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Explanation:

..... [6]

- (e) The Finance manager is worried that the business might be growing too quickly. Do you think he is right to be worried? Justify your answer.

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2

For
Examiner's
Use

1 IRKAM is a company that produces high quality doors for hotels and offices. The company currently uses job production. The Managing Director, Abdul, believes that quality control is important. He is looking for ways to increase productivity. All workers receive on-the-job training. Abdul is thinking of including off-the-job training as well.

(a) What is meant by 'productivity'?

.....
.....
.....
..... [2]

(b) What is meant by 'on-the-job training'?

.....
.....
.....
..... [2]

(c) Identify and explain **one** advantage and **one** disadvantage of off-the-job training for IRKAM.

Advantage:

Explanation:

Disadvantage:

Explanation:

[4]

3

(d) Identify and explain **two** reasons why quality control might be important to IRKAM.

*For
Examiner's
Use*

Reason 1:

.....

Explanation:

.....

.....

Reason 2:

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Explanation:

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..... [6]

(e) Over the past three years there has been a large increase in demand for IRKAM's doors. Do you think job production is still the best method of production for IRKAM? Justify your answer.

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..... [6]

8

For
Examiner's
Use

4 Defoe is a private limited company. It manufactures water-pumps using batch production methods which are labour intensive. It buys raw materials in small quantities. The Managing Director wants to increase profits next year. She is planning to introduce capital intensive methods in the factory.

(a) What is meant by 'batch production'?

.....
.....
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..... [2]

(b) Identify **two** benefits to Defoe of buying raw materials in small quantities.

Benefit 1:
.....
Benefit 2:
..... [2]

(c) Identify and explain **two** appropriate sources of finance that Defoe could use to invest in capital intensive methods of production.

Source 1:
Explanation:
.....
.....
Source 2:
Explanation:
.....
..... [4]

(d) Identify and explain **three** benefits to Defoe of using capital intensive methods.

*For
Examiner's
Use*

Benefit 1:

.....

Explanation:

.....

Benefit 2:

.....

Explanation:

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Benefit 3:

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Explanation:

..... [6]

(e) Would the employees of Defoe benefit from the change to capital intensive methods of production? Justify your answer.

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2

For
Examiner's
Use

1 Earnshaw is a company that buys raw materials and components in bulk. It uses them to manufacture furniture using flow production methods. Productivity in the factory is high. Currently Earnshaw has high costs of holding stock. The Managing Director wants to introduce lean production methods.

(a) What is meant by 'productivity'?

.....
.....
.....
..... [2]

(b) Identify **two** advantages to Earnshaw of buying raw materials in bulk.

Advantage 1:
.....
Advantage 2:
..... [2]

(c) Identify and explain **two** features of flow production.

Feature 1:.....
.....
Explanation:
.....
Feature 2:
.....
Explanation:
..... [4]

3

(d) Identify and explain **three** benefits to Earnshaw of using lean production methods.

For
Examiner's
Use

Benefit 1:

.....

Explanation:

.....

Benefit 2:

.....

Explanation:

.....

Benefit 3:

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Explanation:

..... [6]

(e) 'If Earnshaw is to grow in the future then its unit production costs must fall'.
Do you agree? Justify your answer.

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2

For
Examiner's
Use

1 Akbar Metal is a private limited company. It manufactures parts for the bicycle industry. Workers are paid by piece rate. 60% of the company's products are sold to one customer. Akbar Metal plans to introduce flow production to meet increased demand. 'It's a good idea' says the Production manager. 'We will need to buy new machinery. This should lead to cost savings. We need to decide which source of finance to use.'

(a) What is meant by 'piece rate'?

.....
.....
.....
..... [2]

(b) Identify **two** possible cost savings for Akbar Metal of using new machinery.

Cost saving 1:
.....
Cost saving 2:
..... [2]

(c) Identify and explain **two** possible advantages to Akbar Metal of selling 60% of its products to one customer.

Advantage 1:
.....
Explanation:
.....
Advantage 2:
.....
Explanation:
..... [4]

3

(d) Identify and explain **three** possible problems of flow production for businesses like Akbar Metal.

*For
Examiner's
Use*

Problem 1:

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Explanation:

.....

Problem 2:

.....

Explanation:

.....

Problem 3:

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Explanation:

..... [6]

(e) Explain **two** suitable sources of finance for the purchase of new machinery. Recommend which source Akbar Metal should use. Justify your answer.

Source 1:

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Source 2:

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Recommendation:

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..... [6]

10

5 Salters manufactures cans for drinks. It uses flow production methods. Its machinery is inefficient and often breaks down. The company holds a lot of stock of raw materials and finished products. It cannot respond quickly to changes in customer demand. The management is planning to invest in new machinery, although the capital costs would be high. The factory employees are worried about this plan and strike action is possible. In 2013 Salters made a loss.

(a) Identify **two** features of flow production methods.

Feature 1:

.....

Feature 2:

.....[2]

(b) What is meant by 'inefficient'?

.....

.....

.....

.....[2]

(c) Identify and explain **two** problems to Salters of not responding quickly to changes in customer demand.

Problem 1:

.....

Explanation:

.....

Problem 2:

.....

Explanation:

.....[4]

(d) Identify and explain **two** effects on Salters of holding a high level of stock.

Effect 1:

.....

Explanation:

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Effect 2:

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Explanation:

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..... [6]

(e) Do you think Salters should invest in new machinery? Justify your answer.

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6

For
Examiner's
Use

3 ABC manufactures a range of cars. ABC plans to build a new type of car at its factory in country X. This will expand production capacity at the factory by 100 000 cars per year. ABC hopes to benefit from economies of scale, which should help to reduce the break-even level of output. 'It's good that we have motivated workers' said the Operations manager. ABC plans to start exporting some of its cars.

(a) What is meant by 'break-even level of output'?

.....
.....
.....
..... [2]

(b) Identify **two** factors which could influence employee motivation at ABC.

Factor 1:
.....
Factor 2:
..... [2]

(c) Identify and explain **two** economies of scale that ABC could benefit from.

Economy of scale 1:
Explanation:
.....
.....
Economy of scale 2:
Explanation:
.....
..... [4]

(d) Identify and explain **two** possible problems for ABC of increasing production.

*For
Examiner's
Use*

Problem 1:

.....

Explanation:

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Problem 2:

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Explanation:

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..... [6]

(e) Do you think it is a good idea for ABC to start exporting some of its cars? Justify your answer.

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6

3 SENG manufactures cameras. Last year its market share increased by 2% to 18%. Production is capital intensive. This allows SENG to use lean production methods such as just-in-time. Cameras have a short product life cycle. SENG spends \$200m each year on extension strategies. The Marketing manager thinks that an increase in market share will lead to higher profits.

(a) What is meant by ‘capital intensive?’

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.....
.....
.....[2]

(b) Identify **two** possible reasons why cameras might have a short product life cycle.

Reason 1:
.....
Reason 2:
.....[2]

(c) Identify and explain **two** possible advantages to SENG of using lean production.

Advantage 1:
.....
Explanation:
.....
Advantage 2:
.....
Explanation:
.....[4]

(d) Identify and explain **two** possible extension strategies that SENG could use for one of its types of camera.

Strategy 1:

.....

Explanation:

.....

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Strategy 2:

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Explanation:

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.....[6]

(e) Do you think that an increase in market share will always lead to higher profits for SENG? Justify your answer.

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.....[6]

2

- 1 PYG is a private limited company based in country A. PYG makes metal cans for food products using flow production. The Operations Director has been looking at the operations data in Table 1. Last year PYG found it difficult to replace the 15 production workers who left the company. Most of PYG’s output is exported. The Operations Director thinks there could be more advantages than disadvantages to relocating production to another country.

Table 1: Operations data

	2013	2014
Output per week	660 000	800 000
Number of employees	20	25

- (a) What is meant by a ‘private limited company’?

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.....

.....

..... [2]

- (b) Calculate the output per employee per week in 2014.

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..... [2]

- (c) Identify and explain **two** reasons why calculating output per employee is important for PYG.

Reason 1:

.....

Explanation:

.....

Reason 2:

.....

Explanation:

..... [4]

3

(d) Identify and explain **two** possible problems for PYG of using flow production.

Problem 1:

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Explanation:

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Problem 2:

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Explanation:

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..... [6]

(e) Do you think that the advantages of relocating production to another country would be greater than the disadvantages for PYG? Justify your answer.

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6

- 3 NCE manufactures cars in 4 factories using flow production. NCE’s Human Resources Director thinks good induction training helps achieve high productivity. Factory X is its most efficient factory. Last year the size of the new car market fell by 20%. NCE now has to make 400 workers redundant at one of its other factories. ‘I am pleased NCE is a large business’, said the HR Director, ‘I think a small business cannot survive in this competitive market.’

Table 2: NCE operations data for 2014

Number of cars made	Number of employees
168 000	2800

- (a) What is meant by ‘flow production’?

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..... [2]

- (b) Calculate the output per employee in 2014.

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..... [2]

- (c) Identify and explain **two** ways in which induction training might benefit NCE.

Way 1:

.....

Explanation:

.....

Way 2:

.....

Explanation:

..... [4]

7

- (d) Identify and explain **two** factors that NCE would need to consider in deciding which workers to make redundant.

Factor 1:

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Explanation:

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Factor 2:

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Explanation:

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..... [6]

- (e) The HR Director thinks that 'a small business cannot survive in this competitive market'. Do you agree with this view? Justify your answer.

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2

- 1 TWH makes a range of toys using batch production. TWH’s Managing Director, Dylan, plans to invest in new technology to reduce average costs. ‘It’s the only way to increase efficiency as I do not know how we can improve employees’ motivation’ he said. Dylan cannot decide on whether it would be better to use retained profits or a long term loan as the source of finance.

Table 1: Data for 2014

Number of toys made per week	260 000
Number of employees	500
Average wage per hour paid by TWH	\$6
Average wage per hour paid by similar businesses	\$6.50

- (a) What is meant by ‘average cost’?

.....

.....

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..... [2]

- (b) Calculate the output per employee per week in 2014.

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..... [2]

- (c) Identify and explain **two** possible advantages to TWH of using batch production.

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

..... [4]

3

(d) Identify and explain **two** ways that TWH could improve the motivation of its employees.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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..... [6]

(e) TWH can either use retained profit or a long term loan to finance the purchase of new technology. Which option do you recommend TWH should use? Justify your answer.

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2

- 1 PJK makes a range of luxury sports watches. Each watch is handmade by skilled workers. Quality assurance is important. The Operations Director has been looking at costs and prices as he wants to do a break-even analysis. This data is shown in Table 1. He is planning to invest in new technology to automate parts of the production process. The Operations Director thinks this is the best way to improve profitability.

Table 1: Costs and revenue (\$)

Price per watch	\$100
Variable cost per watch	\$50
Annual sales	6000
Annual fixed costs	\$200 000

- (a) What is meant by ‘quality assurance’?

.....

.....

.....

..... [2]

- (b) Identify **two** ways in which break-even analysis might be helpful to PJK.

Way 1:

.....

Way 2:

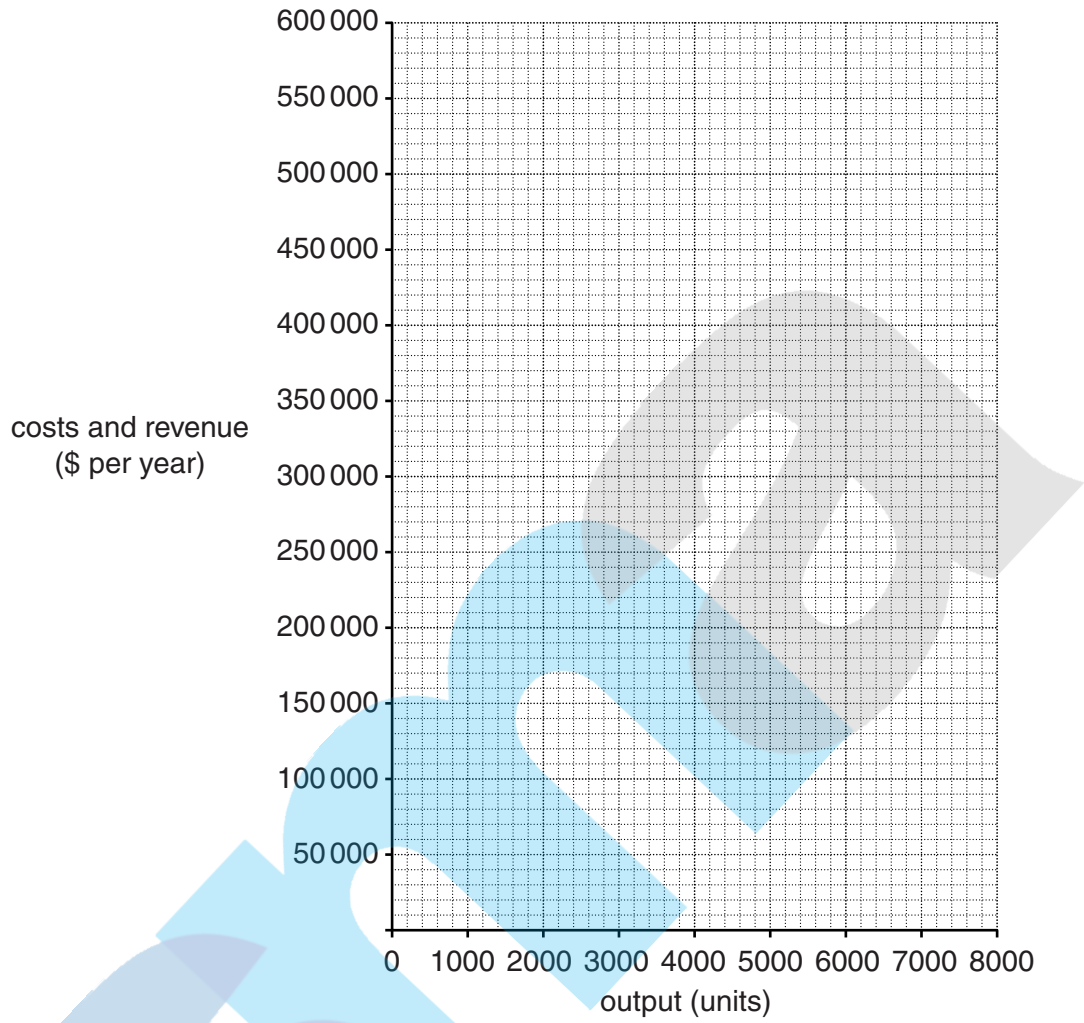
..... [2]

3

(c) Using the information in Table 1, draw a break-even chart for PJK on Figure 1.

[4]

Figure 1



4

(d) Identify and explain **two** advantages to PJK of having skilled workers.

Advantage 1:

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Explanation:

.....

.....

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Advantage 2:

.....

Explanation:

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..... [6]

(e) Do you think that investing in new technology is the best way to improve profitability at PJK? Justify your answer.

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2

- 1 Gomez is the manager of a small computer repair business. Table 1 shows some costs and prices for his business. As it is a competitive market, Gomez knows it is important to maintain customer loyalty and revenue. Gomez knows that a lower break-even point would help improve profits. He thinks the best way to lower the break-even point is to raise prices.

Table 1: Cost and price information

Price per customer	\$30
Variable cost per customer	\$20
Average number of customers per month	140
Monthly fixed costs	\$1000

- (a) What is meant by ‘revenue’?

.....

.....

..... [2]

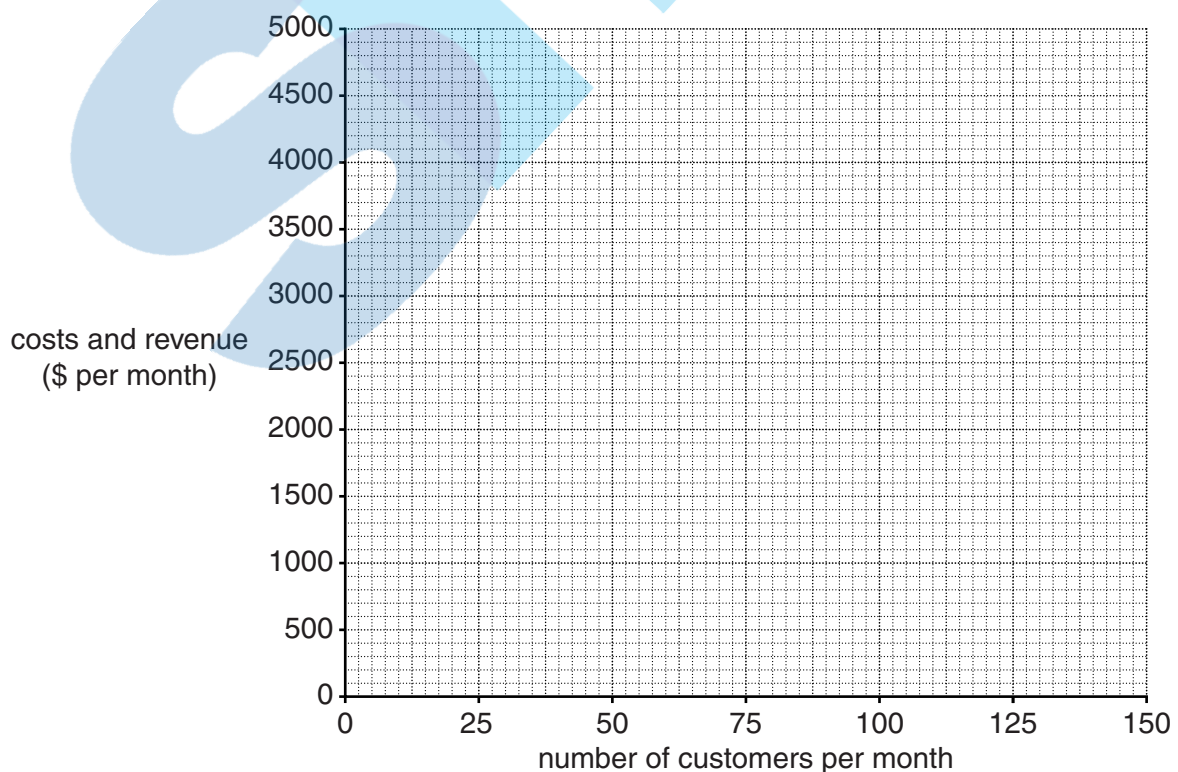
- (b) What is meant by ‘variable cost’?

.....

.....

..... [2]

- (c) Using the information in Table 1, draw a break-even chart for Gomez’s business. [4]



3

(d) Identify and explain **two** methods that Gomez could use to maintain customer loyalty.

Method 1:

.....

Explanation:

.....

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Method 2:

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Explanation:

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..... [6]

(e) Gomez thinks the best way to lower the break-even point is to raise prices. Do you agree? Justify your answer.

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8

4 Javid is a company that manufactures a range of luxury chocolates using batch production. Over the past year, profit has fallen due to increased competition. In order to cut costs, the Finance Director has suggested the company introduces new technology into the production process. The Human Resources Director is not sure that workers would benefit from the introduction of new technology.

(a) What is meant by ‘batch production’?

.....
.....
.....
..... [2]

(b) Identify **two** advantages (other than cutting costs) to the company of using new technology.

Advantage 1:
.....
Advantage 2:
..... [2]

(c) Identify and explain **two** reasons why the quality of chocolates might be important to this company.

Reason 1:
.....
Explanation:
.....
Reason 2:
.....
Explanation:
..... [4]

9

(d) Identify and explain **two** problems that a fall in profit might cause for the company.

Problem 1:

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Explanation:

.....

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Problem 2:

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Explanation:

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..... [6]

(e) Do you think that the introduction of new technology would benefit Javid's workers? Justify your answer.

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..... [6]

Unit 5

Finance

Categorised Past Papers



8

- 4 Trucker is a public limited company that makes products such as tractors and construction vehicles. Table 1 gives selected information from its Balance Sheet for the last two years.

For
Examiner's
Use

Table 1: Trucker's Balance Sheet as at 30 June

	\$m	
	2009	2010
Fixed Assets	200	225
Current Assets	150	180
Current Liabilities	90	100
Net Assets	260	305
Financed by:		
Long term Liabilities	200	220
Shareholders' Funds	60	85
Capital Employed	260	305

- (a) What is meant by the term 'shareholders' funds'?

.....

.....

.....

..... [2]

- (b) Identify **two** examples of Trucker's current assets.

Example 1:

Example 2: [2]

- (c) Identify and explain **two** reasons why a business might have creditors.

Reason 1:

Explanation:

.....

.....

Reason 2:

Explanation:

.....

.....

..... [4]

(d) Identify and explain **three** possible reasons why Trucker’s net assets increased in 2010.

*For
Examiner's
Use*

Reason 1:

Explanation:

.....

.....

Reason 2:

Explanation:

.....

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Reason 3:

Explanation:

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..... [6]

(e) Can the success of Trucker’s business be assessed just by analysing its Balance Sheet? Justify your answer.

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..... [6]

4

- 2 Telefax is a business that manufactures a range of electronic products. Table 1 shows selected information from its latest Balance Sheet.

For
Examiner's
Use

Table 1: Balance Sheet Telefax as at 30 June

	\$m	
	2009	2010
Fixed Assets	30	40
Current Assets	16	24
Current Liabilities	16	20
Net Assets	30	44
Financed by:		
Long term Liabilities	10	20
Shareholders' Funds	20	24
Capital Employed	30	44

- (a) What is meant by the term 'fixed assets'?

.....

.....

.....

..... [2]

- (b) Identify **two** examples of Telefax's current liabilities.

Example 1:

Example 2: [2]

- (c) Identify and explain **two** reasons why most businesses have debtors.

Reason 1:

Explanation:

.....

.....

Reason 2:

Explanation:

.....

..... [4]

5

- (d) Identify and explain **three** reasons why Telefax’s bank manager might want to see the accounts of the business.

*For
Examiner's
Use*

Reason 1:

Explanation:

.....

.....

Reason 2:

Explanation:

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Reason 3:

Explanation:

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..... [6]

- (e) Do you think that the financial position of Telefax has improved in 2010? Justify your answer.

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6

- 3 Celtic Springs, a public limited company, is a water bottling business. Its shareholders have been unhappy with the performance of the business and are threatening to take action at the next Annual General Meeting (AGM). Table 1 shows an extract from the company's latest Profit/Loss Account.

For
Examiner's
Use

Table 1: Celtic Springs Profit/Loss Account 2011 (\$m)

Sales revenue	?
Cost of sales	150
Gross profit	?
Overheads/expenses	70
Net profit	10

The accounts of the business also show that the capital employed by Celtic Springs was \$650m.

- (a) Calculate gross profit and sales revenue in 2011.

Gross profit:

Sales revenue: [2]

- (b) Identify **two** functions of an Annual General Meeting.

Function 1:

.....

Function 2:

..... [2]

- (c) Identify and explain **two** ways Celtic Springs could reduce its cost of sales.

Way 1:

.....

Explanation:

.....

Way 2:

.....

Explanation:

..... [4]

(d) Identify and explain **three** reasons why profit is important to a company such as Celtic Springs.

*For
Examiner's
Use*

Reason 1:

.....

Explanation:

.....

Reason 2:

.....

Explanation:

.....

Reason 3:

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Explanation:

..... [6]

(e) Do you think that the shareholders of Celtic Springs are right to be unhappy with the company's performance? Justify your answer using the data provided.

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..... [6]

2

For
Examiner's
Use

1 Durban Dragons is a big football club. Recently fewer people have been watching its matches and ticket revenue is falling. Some people say that ticket prices for matches are too high and should be reduced. The club has high fixed costs and needs to improve its cash flow. The club directors have been trying to gain sponsorship and a number of businesses are very interested.

(a) What is meant by 'cash flow'?

.....
.....
.....
..... [2]

(b) Give **two** examples of fixed costs that a business like a football club would incur.

Example 1:

Example 2: [2]

(c) Identify and explain **two** ways the cash flow of Durban Dragons could be improved.

Way 1:

Explanation:

Way 2:

Explanation:

..... [4]

3

(d) Identify and explain **two** reasons why businesses might want to sponsor football clubs like Durban Dragons.

*For
Examiner's
Use*

Reason 1:

.....

Explanation:

.....

.....

Reason 2:

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Explanation:

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..... [6]

(e) Do you think if Durban Dragons reduce ticket prices for matches this will increase revenue? Justify your answer.

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..... [6]

6

3 Table 1 shows the Balance Sheet for company D at the end of 2010 and 2011.

For
Examiner's
Use

Table 1: Company D Balance Sheet [\$m]

	2010	2011
Fixed Assets	500	600
Current Assets	600	650
Current Liabilities	450	550
Net Assets	650	700
Long-term Liabilities	350	350
Shareholders' Funds	300	350
Capital Employed	650	700

The accounts also showed that the net profit of company D was \$80m in 2010 and \$120m in 2011.

(a) What is meant by 'capital employed'?

.....

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..... [2]

(b) Calculate company D's current ratio in 2011.

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..... [2]

(c) The directors are planning further expansion of the company. Identify and explain **two** benefits to company D of raising finance by selling more shares.

Benefit 1:

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Explanation:

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Benefit 2:

.....

Explanation:

..... [4]

- (d) Identify and explain a reason why the following stakeholders would be interested in using company D's accounts.

*For
Examiner's
Use*

Creditors' reason:

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Explanation:

.....

Employees' reason:

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Explanation:

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Shareholders' reason:

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Explanation:

..... [6]

- (e) Do you think the performance of company D in 2011 has improved? Justify your conclusion using the data provided.

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For
Examiner's
Use

- 3 HTB is a public limited company. It manufactures a range of computers. HTB spends a lot of money on advertising as it is in a competitive market. The management believes that the product is the most important element in their marketing mix. To meet increasing demand HTB is looking to expand their business. It plans to raise extra capital by issuing more shares. The Finance Director has been looking at the data in Table 1.

Table 1: Selected financial data from HTB (\$m)

	2011	2012
Sales	400	520
Net Profit	40	75
Long Term Liabilities	200	220
Capital Employed	400	500

- (a) What is meant by ‘public limited company’?

.....

.....

.....

..... [2]

- (b) Calculate the Return on Capital Employed for 2012.

.....

..... [2]

- (c) Identify and explain **two** reasons why shareholders might be interested in the accounts of HTB.

Reason 1:

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Explanation:

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Reason 2:

.....

Explanation:

..... [4]

(d) Identify and explain **three** factors that HTB should consider before issuing more shares.

*For
Examiner's
Use*

Factor 1:

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Explanation:

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Factor 2:

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Explanation:

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Factor 3:

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Explanation:

..... [6]

(e) Do you think that the product is the most important element of the marketing mix for HTB? Justify your answer.

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For
Examiner's
Use

- 3 HTB is a public limited company. It manufactures a range of computers. HTB spends a lot of money on advertising as it is in a competitive market. The management believes that the product is the most important element in their marketing mix. To meet increasing demand HTB is looking to expand their business. It plans to raise extra capital by issuing more shares. The Finance Director has been looking at the data in Table 1.

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.....

.....

..... [2]

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.....

..... [2]

- (c) Identify and explain **two** reasons why shareholders might be interested in the accounts of HTB.

Reason 1:

.....

Explanation:

.....

Reason 2:

.....

Explanation:

..... [4]

(d) Identify and explain **three** factors that HTB should consider before issuing more shares.

*For
Examiner's
Use*

Factor 1:

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Explanation:

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Factor 2:

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Explanation:

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Factor 3:

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Explanation:

..... [6]

(e) Do you think that the product is the most important element of the marketing mix for HTB? Justify your answer.

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- 4 Rapid Call is a private limited company. It manufactures a range of cell (mobile) phones. The demand for these is increasing. Its products have several special features that are not available from other phone manufacturers. It sells its products directly to retail shops. Rapid Call uses competitive pricing for all products. The Finance Director has been looking at the accounts. A summary is shown in Table 2. In 2011 the gross profit margin was 40%.

For
Examiner's
Use

Table 2: Profit/Loss Account for Rapid Call for year ending 30 April 2012 (\$000s)

Sales	450
Cost of Sales	300
Gross Profit	150
Overheads	95
Net Profit	55

- (a) What is meant by 'private limited company'?

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..... [2]

- (b) Calculate the gross profit margin for the year ending 30 April 2012.

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..... [2]

- (c) Identify and explain **two** ways in which Rapid Call's Finance Director could use the information in Table 2.

Way 1:

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Explanation:

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Way 2:

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Explanation:

..... [4]

9

- (d) The Marketing Director is thinking about changing the channel of distribution. Identify and explain **three** factors that Rapid Call should consider when choosing a suitable channel of distribution.

*For
Examiner's
Use*

Factor 1:

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Explanation:

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Factor 2:

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Explanation:

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Factor 3:

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Explanation:

..... [6]

- (e) How important is increased competition in influencing the marketing strategy of Rapid Call? Justify your answer.

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8

- 4 Bolton Hotel is a family-owned hotel. Most of its revenue is made in January and February. An extract of the hotel's accounts is shown in Table 1. The Managing Director said: 'I need to find ways to improve liquidity'. He is also concerned about the high level of staff turnover. He thinks that poor motivation might be the reason for many staff leaving their jobs.

For
Examiner's
Use

Table 1: Extract from Bolton Hotel's balance sheet (\$000s)

	2011	2012
Fixed assets	300	350
Current assets:	40	30
Stock	20	20
Debtors	10	8
Cash	10	2
Current liabilities	40	50

- (a) What is meant by a 'balance sheet'?

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..... [2]

- (b) Calculate the acid test ratio for 2012.

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..... [2]

- (c) Identify and explain **two** problems for a business caused by many of its staff leaving.

Problem 1:

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Explanation:

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Problem 2:

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Explanation:

..... [4]

(d) Identify and explain **three** suitable ways to improve motivation of staff at Bolton Hotel.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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Way 3:

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Explanation:

..... [6]

(e) Explain **two** ways to improve the liquidity of the hotel. Recommend which way the Managing Director should use. Justify your answer.

Way 1:

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Way 2:

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Recommendation:

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..... [6]

8

- 4 Belshire Books owns a number of shops. The Finance manager is worried about the financial position of the company. An extract of the accounts is shown in Table 1. Belshire Books is facing increased competition from online booksellers selling through the Internet.

For
Examiner's
Use

Table 1: Extract from Belshire Books accounts (\$000s)

	2011	2012
Net profit	50	30
Current assets	50	60
Current liabilities	50	50
Capital Employed	500	500

- (a) What is meant by 'net profit'?

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..... [2]

- (b) Calculate the current ratio in 2012.

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..... [2]

- (c) Identify and explain **two** ways in which Belshire Books could improve profitability.

Way 1:

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Way 2:

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- (d) Identify and explain **two** problems that competition from online (Internet) booksellers could cause for Belshire Books.

*For
Examiner's
Use*

Problem 1:

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Explanation:

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Problem 2:

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Explanation:

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..... [6]

- (e) Do you think that the Finance manager is right to be worried about the financial position of the business? Justify your answer.

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8

- 4 Luxury Destinations owns three hotels in country X. The business spends a lot of money on staff training. The Finance Director is pleased with the financial position of the business. 'However, the appreciation of our country's currency and the Government's plan to increase taxes might cause problems to our business in the future' he said.

For
Examiner's
Use

Table 1: Luxury Destinations financial information (\$000s)

	2011	2012
Gross profit	195	220
Net profit	30	60
Fixed assets	300	350
Current assets	60	50
Current liabilities	60	75

- (a) What is meant by 'appreciation of our country's currency'?

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..... [2]

- (b) Calculate the current ratio in 2012.

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..... [2]

- (c) Identify and explain **two** problems that an increase in taxes could cause for Luxury Destinations.

Problem 1:

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Explanation:

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Problem 2:

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Explanation:

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..... [4]

(d) Identify and explain **three** benefits for Luxury Destinations of training its employees.

*For
Examiner's
Use*

Benefit 1:

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Explanation:

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Benefit 2:

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Explanation:

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Benefit 3:

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Explanation:

..... [6]

(e) Do you think the Finance Director is right to be pleased with the financial position of the business? Justify your answer.

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- 2 Sarah is the owner of a small business making children’s toys. She sells her toys to retailers on 3 months’ credit. She receives 1 month’s credit from her suppliers. Her cash flow forecast for the start of 2015 is given below.

Table 1 (\$000)

	January	February	March
Cash inflow	15	20	19
Cash outflows:			
Purchases of stock	12	10	14
Wages	X	7	6
Other payments	4	4	4
Total cash outflows	22	Y	24
Net cash flow	(7)	(1)	(5)
Opening balance	10	3	2
Closing balance	3	2	(3)

Note: numbers in brackets are negative.

- (a) Calculate the following:

Wages in January (X):

.....

Total cash outflows in February (Y):

.....[2]

- (b) Identify **two** examples of Sarah’s ‘other payments’.

Example 1:

Example 2:[2]

- (c) Identify and explain **two** reasons why the business has a negative closing balance in March.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

.....[4]

5

(d) Identify and explain **two** advantages to Sarah's business of producing a cash flow forecast.

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

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..... [6]

(e) Sarah's accountant told her that a positive cash flow is more important to the business than profits. Do you agree? Justify your answer.

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4

- 2 Karl owns a fabric (cloth) wholesale business. He supplies a large range of fabrics to many small businesses in country G. Karl employs unskilled workers in his warehouse. He offers 2 months credit to all customers. Despite being a profitable business, Karl is worried about his cash flow for the next 3 months.

For
Examiner's
Use

Table 1: Cash flow forecast (\$000's)

	Month 1	Month 2	Month 3
Opening balance	0	X	0
Cash inflows:			
Cash sales	10	40	10
Cash from debtors	38	48	58
Total cash inflow	48	88	68
Cash outflows:			
Wages	10	10	10
Payment for stock	38	48	60
Fixed costs	15	15	15
Total cash outflow	63	73	Y
Net cash flow	(15)	15	(17)
Closing balance	(15)	0	(17)

Note: numbers in brackets are negative.

- (a) What is meant by 'net cash flow?'

.....
 [2]

- (b) Calculate the following.

Month 2 opening balance (X):

.....

Month 3 total cash outflow (Y):

..... [2]

- (c) Identify and explain **two** possible advantages to Karl of employing unskilled workers.

Advantage 1:

.....

Explanation:

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Advantage 2:

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Explanation:

..... [4]

5

- (d) Identify and explain **two** possible advantages to small business customers of buying from a wholesale business such as Karl's.

For
Examiner's
Use

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

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..... [6]

- (e) Explain **two** ways that Karl could use to improve his cash flow. Recommend which one he should use. Justify your answer.

Way 1:

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Way 2:

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Recommendation:

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..... [6]

- 5 Anyshade manufactures a range of paints. It uses flow production. The Finance manager has produced a cash flow forecast as the business wants to arrange an overdraft with its bank. The Finance manager believes that reducing prices is the best way to increase sales revenue. Anyshade’s paints are well known for quality.

Table 1: Cash flow forecast (\$000's)

	July	August	September
Opening balance	(9 000)	6 000	Y
Cash inflows:			
Cash sales	90 000	30 000	50 000
Cash from debtors	50 000	80 000	70 000
Total cash inflows	140 000	110 000	120 000
Cash outflows:			
Fixed costs	70 000	70 000	70 000
Wages	20 000	18 000	19 000
Raw materials	35 000	30 000	30 000
Total cash outflows	125 000	118 000	119 000
Net cash flow	X	(8 000)	1 000
Closing balance	6 000	(2 000)	(1 000)

Note: numbers in brackets are negative.

- (a) What is meant by an ‘overdraft’?

.....
 [2]

- (b) Calculate the following.

July net cash flow (X):

 September opening balance (Y):
 [2]

- (c) Identify and explain **two** advantages to Anyshade of using flow production.

Advantage 1:

 Explanation:

 Advantage 2:

 Explanation:
 [4]

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(d) Identify and explain **two** stages in the **recruitment process** of the manager's job for the manufacturing business.

Stage 1:

Explanation:

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Stage 2:

Explanation:

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..... [6]

(e) Do you think Rachel should expand Keypeople? Justify your answer.

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- 3 HPT makes frozen food products. The Finance Director wants to improve HPT’s cash flow position. Table 1 is an incomplete cash flow forecast for the next 3 months. The Finance Director thinks HPT should not use expensive packaging. He is also worried that new Government health & safety laws will not benefit the company and will only add to its costs.

Table 1: Cash flow forecast (\$000’s)

	Month 1	Month 2	Month 3
Opening balance	(50 000)	(30 000)	(40 000)
Cash inflows	200 000	180 000	200 000
Cash outflows:			
Wages	60 000	60 000	60 000
Packaging	20 000	20 000	20 000
Raw materials	45 000	55 000	45 000
Fixed costs	55 000	55 000	55 000
Total cash	X	190 000	180 000
outflows			
Net cash flow	20 000	Y	20 000
Closing balance	(30 000)	(40 000)	(20 000)

Note: numbers in brackets are negative.

- (a) Identify **two** fixed costs that HPT might have.

Fixed cost 1:

Fixed cost 2: [2]

- (b) Calculate the following.

Month 1 total cash outflows (X):

.....

Month 2 net cash flow (Y):

..... [2]

- (c) Identify and explain **two** benefits to HPT of having a cash flow forecast. You should refer to Table 1 in your answer.

Benefit 1:

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Explanation:

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Benefit 2:

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Explanation:

..... [4]

(d) Identity and explain **two** reasons why packaging might be important for HPT.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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..... [6]

(e) The Finance Director is worried that new Government health & safety laws will not benefit the company and will only add to its costs. Do you agree? Justify your answer.

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- 3 QF Group manufactures a range of electrical products such as computers and televisions. All QF managers have a wide span of control so delegation is important. The main objective of QF Group is growth. The Finance Director has been looking at the accounting data in Table 2. She is pleased about the performance of the business.

Table 2: Extract from accounts

	2013	2014
Revenue (sales) (\$m)	600	600
(Net) profit (\$m)	72	90
Capital employed (\$m)	720	750
Gross profit margin	50%	45%
(Net) profit margin	12%	?
Return on Capital Employed	10%	?

- (a) What is meant by ‘span of control’?

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..... [2]

- (b) What is meant by ‘delegation’?

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..... [2]

- (c) Identify and explain **two** reasons why delegation might be important to businesses like QF Group.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

..... [4]

- (d) Identify **two** stakeholder groups. Explain **why** each of these stakeholder groups might support QF Group's objective of growth.

Stakeholder group 1:

Explanation:

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Stakeholder group 2:

Explanation:

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.....[6]

- (e) Do you think the Finance Director is right to be pleased about the performance of QF Group? Justify your answer using the data in Table 2 and appropriate ratios.

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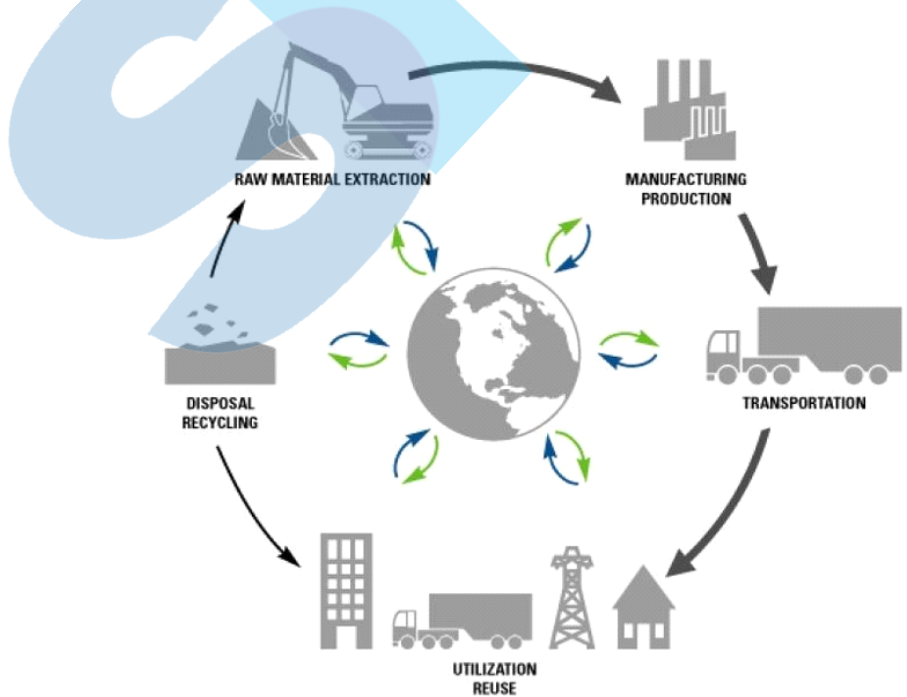
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Unit 6

External Influences on Business Activity

Categorised Past Papers



4

For
Examiner's
Use

2 The economy of country A is in recession. To deal with the problems caused by the recession, the Government has cut interest rates and reduced taxes. These changes have had a big impact on businesses in country A. The Government has also introduced laws to protect employees at work. Some people have suggested that the Government should give grants and subsidies to private sector businesses to help them survive.

(a) What is meant by the term 'recession'?

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..... [2]

(b) Identify **two** ways in which consumers might be affected by a recession.

Way 1:
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Way 2:
..... [2]

(c) Identify and explain **two** consequences of a fall in interest rates on businesses in country A.

Consequence 1:
Explanation:
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.....
Consequence 2:
Explanation:
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..... [4]

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(d) Identify and explain **three** ways by which employees can be protected at work by Government laws.

*For
Examiner's
Use*

Way 1:

Explanation:

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Way 2:

Explanation:

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Way 3:

Explanation:

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..... [6]

(e) Do you think that Governments should give financial support to private sector businesses to survive in a recession? Justify your answer.

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For
Examiner's
Use

5 The Government of country Z has decided to invest a large amount of capital in building a new road system. Some people don't like the decision because of the social costs that it will create. However, most businesses think the decision is a good one. The business sector would also like to see the Government lower taxes on goods and remove some of the consumer protection and employment laws that it claims increase business costs.

(a) Identify **two** ways that employees may be protected at work by employment laws.

Way 1:

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Way 2:

..... [2]

(b) Identify **two** reasons why Governments put taxes on goods.

Reason 1:

.....

Reason 2:

..... [2]

(c) Identify and explain **two** reasons why many business managers think the decision to build more roads is a good one.

Reason 1:

Explanation:

.....

.....

Reason 2:

Explanation:

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..... [4]

(d) Identify and explain **three** social costs that the road building programme might create.

*For
Examiner's
Use*

Cost 1:

Explanation:

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Cost 2:

Explanation:

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Cost 3:

Explanation:

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..... [6]

(e) The management of many businesses in the private sector think that consumer and employment legislation increases business costs. Do you think society would benefit from a reduction in such laws? Justify your answer.

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For
Examiner's
Use

5 Extracto is a multinational mining business. It has recently found mineral deposits in country X. The Managing Director hopes that the deposits found are large enough for them to make a good profit. Some pressure groups in country X think that Extracto has only considered the financial benefits of its plans and has ignored the social costs.

(a) What is meant by a 'financial benefit'?

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..... [2]

(b) Identify **two** examples of social costs that extraction of minerals might create.

Example 1:
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Example 2:
..... [2]

(c) Identify and explain **two** ways in which pressure groups could influence Extracto's decisions.

Way 1:
Explanation:
.....
.....
Way 2:
Explanation:
.....
..... [4]

(d) Identify and explain **three** factors that Extracto should consider before deciding whether to begin mining in country X.

*For
Examiner's
Use*

Factor 1:

Explanation:

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Factor 2:

Explanation:

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Factor 3:

Explanation:

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[6]

(e) Governments often aim to attract multinational companies into their countries. Do you think that they should do this? Justify your answer.

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[6]

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For
Examiner's
Use

5 Country W has a mixed economy. Herio is a Government economist. He said: 'Business activity in the private sector can lead to external costs, such as pollution. It can also create external benefits. I believe that businesses that create external benefits should be encouraged and those that create external costs should be closed down.' Country W has low economic growth and rising inflation.

(a) What is meant by 'the private sector'?

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..... [2]

(b) What is meant by 'rising inflation'?

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..... [2]

(c) Most businesses set objectives. Identify and explain **two** reasons why having objectives may be important for a business.

Reason 1:

Explanation:

Reason 2:

Explanation:

[4]

(d) Identify **three** external benefits and explain how business activity can create each benefit.

Benefit 1:

Explanation of how benefit is created:

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Benefit 2:

Explanation of how benefit is created:

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Benefit 3:

Explanation of how benefit is created:

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..... [6]

(e) Herio believes businesses that create external costs should be closed down. Do you agree with him? Justify your answer.

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For
Examiner's
Use

5 Greenfield manufactures furniture. The company imports wood and other raw materials from several countries. Marcos is the Managing Director of Greenfield. Marcos said that his company was affected by import quotas and changes in exchange rates. He said: 'Greenfield has to buy its raw materials from other countries as there are no timber (wood) resources in our own country.'

(a) What is meant by 'import quota'?

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..... [2]

(b) Identify **two** ways that Greenfield's business might harm the environment.

Way 1:
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Way 2:
..... [2]

(c) Identify and explain **two** ways in which changes in exchange rates could cause problems for Greenfield.

Way 1:
.....
Explanation:
.....
Way 2:
.....
Explanation:
..... [4]

- (d) The Government in Greenfield's country is introducing consumer protection laws. Identify and explain **three** ways in which Greenfield's business could be affected by these new laws.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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Way 3:

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Explanation:

..... [6]

- (e) Greenfield's management is thinking of expanding the business by taking over another furniture manufacturer. Do you think this is a good idea for Greenfield? Justify your answer.

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8

4 Table 2 gives data about the economy of country C.

For
Examiner's
Use

Table 2

Year	National income per person (\$)	Inflation (%)	Unemployment (%)
2010	650	5	10
2011	640	3	12
2012	600	1.5	18

The economy of country C is in recession. The Government wants to create more jobs by encouraging more businesses to start up. However some pressure groups are against this because they think that more businesses will cause more external (social) costs.

(a) What is meant by 'recession'?

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..... [2]

(b) Identify **two** possible reasons why national income per person has fallen between 2010 and 2012.

Reason 1:

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Reason 2:

..... [2]

(c) Identify and explain **two** ways that a Government could help new businesses to start up.

Way 1:

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Explanation:

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Way 2:

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Explanation:

..... [4]

9

(d) Identify and explain **three** external (social) costs that might be caused by an increase in the number of businesses in country C.

*For
Examiner's
Use*

Cost 1:

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Explanation:

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Cost 2:

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Explanation:

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Cost 3:

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Explanation:

..... [6]

(e) Do you think that new start-up businesses can be successful in country C? Justify your answer.

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For
Examiner's
Use

5 ANZ is a large multinational company which manufactures aeroplanes. Growth is an important objective for the company. ANZ wants to start producing in country P for the first time. The new factory will operate for 24 hours a day. A pressure group in country P believes that all business activity is bad for the environment. It wants the Government to do more to control business activity.

(a) What is meant by 'pressure group'?

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..... [2]

(b) Identify **two** measures a Government could use to control business activity.

Measure 1:
Measure 2: [2]

(c) Identify and explain **two** reasons why objectives are important to businesses such as ANZ.

Reason 1:
.....
Explanation:
.....
Reason 2:
.....
Explanation:
..... [4]

(d) Identify and explain **three** advantages for country P of ANZ's decision to open a new factory.

*For
Examiner's
Use*

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

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Advantage 3:

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Explanation:

..... [6]

(e) Do you think that all business activity is bad for the environment? Justify your answer.

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4

2 The economy of country Z is booming. Its Government wants to create more manufacturing jobs by making it easier for new businesses to start up and build new factories. Recently a Government minister said: 'All new businesses will be successful during a boom'. Controls on where new factories can be built are to be removed. Some pressure groups are against this idea because they believe that new businesses create external (social) costs.

(a) Identify **two** features of a 'boom'.

Feature 1:

.....

Feature 2:

.....[2]

(b) What is meant by a 'pressure group'?

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.....[2]

(c) Identify and explain **two** external (social) costs that might be created by building new factories.

Cost 1:

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Explanation:

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Cost 2:

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Explanation:

.....[4]

5

(d) Identify and explain **two** ways that a Government could use to encourage new businesses to start up (other than removing controls on where factories can be built).

Way 1:

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Explanation:

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Way 2:

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Explanation:

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..... [6]

(e) 'All new businesses will be successful during a boom.' Do you agree? Justify your answer.

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10

For
Examiner's
Use

- 5 The economy of country U is enjoying an economic boom. Many new businesses are being set up in country U. There are many sources of external finance available for new businesses.

GGC is a multinational mining company. Its directors have agreed to form a joint venture with another mining company that is already based in country U. All mine workers are members of a trade union.

- (a) Identify **two** features of an economic boom.

Feature 1:

.....

Feature 2:

..... [2]

- (b) Identify **two** possible advantages to mine **workers** of being members of a trade union.

Advantage 1:

.....

Advantage 2:

..... [2]

- (c) Identify and explain **two** possible advantages to GGC's **management** of its mine workers being members of a trade union.

Advantage 1:

.....

Explanation:

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Advantage 2:

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Explanation:

..... [4]

- (d) Identify and explain **two** sources of external finance that GGC might use when setting up a new mine.

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Source 1:

Explanation:

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Source 2:

Explanation:

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..... [6]

- (e) Do you think it is a good idea for GGC to form a joint venture in country U? Justify your answer.

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8

4 The economy of country U is in recession. The Government has cut interest rates to attract businesses to set up in country U. JWR is a large multinational energy company. JWR may decide to open a power station in country U. The Government thinks that opening a new power station will create many external benefits. Some pressure groups do not want companies like JWR operating in their country.

(a) Identify **two** features of a recession.

Feature 1:

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Feature 2:

.....[2]

(b) Identify **two** effects of a cut in interest rates on businesses like JWR.

Effect 1:

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Effect 2:

.....[2]

(c) Identify and explain **two** actions that pressure groups could use to influence JWR's decision.

Action 1:

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Explanation:

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Action 2:

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Explanation:

.....[4]

9

(d) Identify and explain **two** external benefits as a result of opening a new power station in country U.

External benefit 1:

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Explanation:

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External benefit 2:

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Explanation:

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..... [6]

(e) Do you think that the Government of country U should try to attract multinational businesses? Justify your answer.

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8

4 Nellis is a public limited company. It specialises in building large luxury houses. Over the past 3 years its profits have increased as the country is experiencing an economic boom. ‘It’s not all good news – the Government has announced plans to increase interest rates and introduce new legal controls to protect the environment’ said the Managing Director. He believes these new legal controls to protect the environment will only make businesses (such as Nellis) less profitable.

(a) What is meant by an ‘economic boom’?

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..... [2]

(b) Identify **two** stages (other than boom) of the business cycle.

Stage 1:
Stage 2: [2]

(c) Explain how a rise in interest rates might affect Nellis.

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(d) Identify **two** stakeholder groups. Explain why each group is important to this business.

Stakeholder group 1:

Explanation:

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Stakeholder group 2:

Explanation:

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..... [6]

(e) The Managing Director believes that the new legal controls to protect the environment will only make businesses (such as Nellis) less profitable. Do you agree? Justify your answer.

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4 BRZ sells outdoor clothing, such as waterproof trousers and coats, in country X. It imports most of its inventory (stock) from low wage countries. ‘Globalisation has changed how we do business. It offers many opportunities but I have to consider import quotas and exchange rates’ said the Operations Director. BRZ tries to act in an ethical way with all its stakeholders. The Operations Director is not sure if it is possible for BRZ to be both ethical and profitable.

(a) What is meant by an ‘import quota’?

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.....[2]

(b) What is meant by ‘inventory (stock)’?

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.....[2]

(c) Explain how a depreciation in the value of country X’s currency might affect the profits of BRZ.

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(d) Identify and explain **two** opportunities that globalisation might offer BRZ.

Opportunity 1:

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Explanation:

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Opportunity 2:

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Explanation:

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(e) Do you think it is possible for companies such as BRZ to be both ethical and profitable? Justify your answer.

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