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BUSINESS

0264/01

Paper 1 Short Answer and Data Response

For examination from 2027

SPECIMEN PAPER

1 hour 30 minutes

You must answer on the question paper.

No additional materials are needed.

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen. Do **not** use correction fluid or tape.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 80.
- The number of marks for each question or part question is shown in brackets [].

This document has **14** pages. Any blank pages are indicated.

1 TGD is a primary sector business based in country X. It has 6 gold mines and 3000 employees. TGD uses many factors of production. The directors are considering whether to introduce new technology into TGD's mines. TGD exports 80% of its gold. The managing director is concerned about how changes in country X's exchange rate might affect TGD's exports. She knows that TGD's business activities can negatively affect the environment.

(a) Define 'factors of production'.

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..... [2]

(b) Outline **two** ways the appreciation of country X's exchange rate might affect TGD when exporting its products.

way 1
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.....
.....
way 2
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.....
..... [4]

(c) Explain **two** ways TGD's business activities might negatively affect the environment.

way 1

.....

explanation

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.....

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way 2

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explanation

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.....

[6]

- 2 Oscar plans to start up a children’s nursery to care for children aged 1 to 3 years. Oscar will use leaflets to advertise his nursery. He is considering different pricing methods including dynamic pricing. He also needs to decide on a suitable source of finance for his business. Oscar has prepared a cash flow forecast as part of his business plan. An extract is shown in Table 2.1.

Table 2.1
Extract from Oscar’s cash flow forecast for his first year (\$)

	September	October	November
cash inflow	600	1200	2000
cash outflow	1900	1500	Y
net cash flow	(1300)	X	500
opening balance	0	(1300)	(1600)
closing balance	(1300)	(1600)	(1100)

- (a) Define ‘dynamic pricing’.

.....

.....

.....

..... [2]

- (b) (i) Use Table 2.1 to calculate the value of **X** and **Y**.

X

.....

Y

..... [2]

- (ii) Identify **one** cash inflow and **one** cash outflow a business might have.

cash inflow

.....

cash outflow

..... [2]

(c) Explain **one** advantage and **one** disadvantage of Oscar using leaflets to advertise his business.

advantage

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explanation

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disadvantage

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explanation

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[6]

(d) Explain **two** factors Oscar should consider when deciding on a suitable source of finance for his business. Which factor is likely to be the most important? Justify your answer.

factor 1

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factor 2

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justification

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[8]

- 3 HLC is a private limited company. It manufactures chocolate in its factory. High quality is important. One of HLC's objectives is to expand and the directors are considering using horizontal integration. HLC's operations director has been analysing production data to calculate labour productivity. An extract is shown in Table 3.1.

Table 3.1
Extract from HLC's production data for the current year

number of production employees	80
total output per week (units)	400 000
maximum possible output per week (units)	440 000

- (a) Calculate labour productivity. Show your working.

labour productivity = [2]

- (b) Outline **two** reasons why it is important for HLC to have business objectives.

reason 1

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reason 2

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[4]

(c) Explain **two** reasons why high quality might be important for HLC.

reason 1

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explanation

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reason 2

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explanation

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[6]

4 ZRE sells fashion clothing. It is a multinational company (MNC) with 2700 shops in 20 countries. The managing director knows some markets have become more competitive. ZRE offers its 9000 employees training to help them to provide good customer service. Emails are used to communicate with ZRE’s suppliers.

(a) Identify **two** disadvantages for the country where an MNC is located.

disadvantage 1

.....

disadvantage 2

.....

[2]

(b) Identify **four** reasons why some markets have become more competitive.

reason 1

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reason 2

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reason 3

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reason 4

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[4]

(c) Explain **one** advantage and **one** disadvantage of ZRE using emails to communicate with its suppliers.

advantage

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explanation

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disadvantage

.....

explanation

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[6]

(d) Explain **two** methods of training ZRE might offer its employees to help them to provide good customer service. Which is likely to be the best method for ZRE to use? Justify your answer.

method 1

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method 2

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justification

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[8]

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