



General Certificate of Secondary Education
2010

Candidate Name

Centre Number

Candidate Number

Business Studies B

Foundation Tier

[G3701]



G3701

MONDAY 7 JUNE, MORNING

TIME

2 hours.

INSTRUCTIONS TO CANDIDATES

Write your Candidate Name, Centre Number and Candidate Number in the spaces provided at the top of this page.

Write your answers in the spaces provided in this question paper.

Complete in blue or black ink only.

Do not write in pencil or with a gel pen.

Do not use correction fluid to correct errors in your answers.

Do not write any answer outside of the black box.

Answer **all five** questions.

INFORMATION FOR CANDIDATES

The total mark for this paper is **105**, including 5 marks for quality of written communication.

Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

You are reminded of the need for accurate spelling, punctuation and grammar. Calculators may be used.

5982

Examiner Number

For Examiner's use only	
Question Number	Marks
1	
2	
3	
4	
5	
QWC	

Total Marks	
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M A Y 1 0 G 3 7 0 1

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5982



02

CONTEXT

Mike Smith and Mary Dwyer set up their business as a private limited company in 1985 when they opened their first pizza take-away shop in Manchester. The two friends had experienced high quality pizzas whilst on holiday in the USA and were determined to offer a similar quality product in the UK.

Their first shop was very successful and within two years they had opened a further three outlets in the Manchester area. They were keen to expand throughout the UK and realised that offering their business as a franchise was the quickest way to achieve this aim.

In 1988 they sold their first franchise to a family friend who opened a unit in Leeds. Within three years they had sold fifteen franchises and the business was booming. In order to fund further expansion they floated the business on the stock exchange in 1993. It became M&M plc.

The business venture prospered and by 2009 the chain had 600 franchised sites throughout the UK.

Each site is licensed to a franchisee at an average price of £250,000. For this sum franchisees receive a fully equipped outlet and three weeks training plus on-going support. This support includes advertising on both national TV and in national newspapers.

The Directors of M&M plc are determined to carry on expanding. Their aim is to open an additional forty franchises every year until 2018. They are investigating an on-line ordering facility for all franchises. They plan to expand abroad and have decided to open their first pizza shop in France.

The Directors of M&M plc are also keen to diversify and are considering opening a number of sandwich bars in London.



Question 1

For the following questions (a) to (f) write the letter A, B, C or D in the boxes provided to show the correct answer.

(a) Which one of the following belongs to the tertiary sector?

- A oil exploration company
- B house builder
- C sports equipment manufacturer
- D an insurance company

[1]

(b) Which one of the following is a form of internal business finance?

- A bank overdraft
- B retained profits
- C bank loan
- D trade credit

[1]

(c) Which one of the following is usually found in a job description?

- A job title
- B previous experience needed by the job applicant
- C qualifications needed by the job applicant
- D qualities needed by the job applicant

[1]

(d) The tax paid on most of the goods and services we buy is called:

- A income tax
- B excise duty
- C VAT
- D corporation tax

[1]

(e) Which one of the following is an **external** stakeholder in a business?

- A an employee
- B the owner
- C a customer
- D a director

[1]

Examiner Only

Marks

Remark



Question 1 continued

Examiner Only	
Marks	Remark

(f) Which one of the following statements about public limited companies is correct?

- A shareholders have unlimited liability
- B the shares can generally be bought and sold on the stock exchange
- C the company's accounts can be kept secret
- D the maximum number of shareholders is 20 [1]

(g) **Two** of the statements below are advantages of a sole trader. Put a tick against the **two** correct statements.

- has limited liability
- does not have to share profits
- has total control over business decisions
- can raise capital easily to expand [2]



Question 1 continued

Examiner Only

Marks Remark

(h) Explain how a fall in interest rates may affect:**(i)** the costs of an M&M plc franchise

 [2]
(ii) the sales of pizzas made by an M&M plc franchise

 [2]
(i) Promotion and product are two parts of the marketing mix. State the other **two** parts.**1** _____ [1]**2** _____ [1]

Question 1 continued

Below (**Fig. 1**) is an extract from a company's Profit & Loss Account for the month ending 30th June 2009.

Sales Revenue	£175,000
Cost of Sales	£100,000
Gross Profit	<input type="text"/>
Less Expenses:	
Wages	£15,000
Rent	£ 1,500
Rates	£ 2,500
Heating and Lighting	£ 1,000
Net Profit	<input type="text"/>

Fig. 1

- (j) Calculate the company's Gross and Net Profit figures and enter them in the boxes provided above.

[2]

Examiner Only	
Marks	Remark



Question 1 continued

Below (**Fig. 2**) is an advertisement for a receptionist.

<p>Receptionist Required</p> <p>To work in the M&M plc Headquarters based in Central London</p> <p>35 hours per week Monday to Friday 9.00am to 5.00pm</p> <p>Salary: £15,900 per year</p> <p>12 months previous experience as a receptionist essential</p> <p>GCSE grade C in English and Mathematics preferred</p> <p>Staff discounts Subsidised canteen Free car parking at work</p> <p>Telephone 00789324578 for an application form</p>

Fig. 2

(k) From the above advertisement select **two** items that are classed as **fringe benefits**.

1 _____ [1]

2 _____ [1]

Examiner Only	
Marks	Remark



Question 1 continued

In an industrial dispute a Trade Union may call on its members to take industrial action. One form of industrial action is to call for a strike by the workforce.

(1) State **two** other forms of industrial action the Trade Union members might use

1 _____ [1]

2 _____ [1]

Examiner Only**Marks Remark**

Total Question 1

[Turn over

Question 2

Examiner Only

Marks Remark

(a) The M&M plc Human Resources Department appoints new employees by following the processes listed below:

- A place advertisement
- B design advertisement
- C produce job description
- D shortlist applicants
- E draws up person specification

The first process has been completed for you. Sort the remaining processes into their correct order and list the **next four** by letter in the boxes below.

- 1
- 2
- 3
- 4
- 5

[4]

Individuals that purchase an M&M plc franchise are known as franchisees.

(b) One M&M franchise wants to recruit a worker for their pizza shop. Below is a list of points the pizza shop owner has drawn up about the person wanted and the job itself.

- A The successful applicant will report directly to the manager
- B The successful applicant must have a clean driving licence
- C The successful applicant will work a 35-hour week
- D The successful applicant must have previous experience

Place these under the correct headings below by writing the letter in the boxes below:

Person Specification**Job Description**

[4]



Question 2 continued

- (c) The franchise owner wants to train the new worker. Discuss whether he/she should train the worker by using **on-the-job training** or by **off-the-job training**.

[4]

A franchise may, from time to time, have to dismiss a member of staff or make them redundant.

- (d) State **two** differences between the dismissal of workers and redundancy.

1 _____

[1]

2 _____

[1]

Examiner Only

Marks

Remark



Question 2 continued

Maslow identified **five** stages in his Hierarchy of Needs. These are:

- physiological needs
- safety and security needs
- love and belonging needs
- esteem needs
- self-actualisation needs

Anya has just started work in an M&M plc franchise. She is paid well above the **minimum wage**. She has a full-time contract. She works as part of a team. She enjoys this more than her previous job where she worked on her own most of the time. At her recent appraisal meeting her poor time keeping was noted.

(e) Identify **three** of Maslow's stages that are being satisfied for Anya.

Explain the reasons for your choices.

1 _____ [1]

Reason _____

_____ [1]

2 _____ [1]

Reason _____

_____ [1]

3 _____ [1]

Reason _____

_____ [1]

Examiner Only

Marks **Remark**

Total Question 2



Question 3

Below are **four** possible sources of finance a business may use:

- bank loan
- share issue
- overdraft
- leasing

Each source can be used **only once** to answer questions (a) to (c).

- (a) M&M plc has plans to open 100 new franchises over the next two years. It needs to raise £20 million to buy the sites and make ready the shops. The company's share price has fallen by 35% on the stock market over the last six months.

Chosen source of finance _____ [1]

Reason for choice _____

_____ [1]

- (b) One pizza shop, owned by Gill Belal, has a shortage of cash. She needs cash urgently to pay staff wages and the gas and electricity bills.

Chosen source of finance _____ [1]

Reason for choice _____

_____ [1]

Examiner Only	
Marks	Remark



Question 3 continued

- (c) The same pizza shop currently has five motor scooters used for pizza deliveries. These are all now six years old and need to be replaced. It does not have the cash available to buy these.

Chosen source of finance _____ [1]

Reason for choice _____

_____ [1]

Examiner Only**Marks****Remark**

Question 3 continued

An extract from Gill Belal's pizza shop Balance Sheet for 2009 is shown below:

Current Assets:	
Stock of raw materials	£3,000
Debtors	£0,000
Cash	£1,000

Current Liabilities:	
Creditors (suppliers on credit)	£2,250
Taxation owing	£750
Overdraft	£0,000

(d) Explain the term **debtors**.

_____ [1]

(e) Calculate the firm's current ratio from the data in the Balance Sheet above. Show your working.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Current Ratio} = \text{—————} =$$

[2]

Examiner Only	
Marks	Remark



Question 3 continued

Below (**Fig. 3**) is an extract from Gill Belal's pizza shop Cash Flow Forecast for 2009–2010.

Examiner Only	
Marks	Remark

	December	January	February	March	April	May
Opening Balance	£600	£7,000	£2,800	–£6,000	–£11,500	
Sales receipts	£36,000	£22,000	£18,000	£24,000	£35,000	£44,000
Payments:						
Wages		£13,000	£15,000	£15,000	£15,000	£15,000
Materials	£12,000	£10,000	£9,000	£11,000	£13,000	£14,000
Gas. Electricity	£1,000	£1,000	£1,000	£1,100	£1,200	£1,400
Royalties to franchiser	£3,600	£2,200	£1,800	£2,400	£3,500	£4,400
Total payments	£29,600	£26,200	£26,800		£32,700	£34,800
Closing Balance	£7,000	£2,800	–£6,000	–£11,500	–£9,200	£0

Fig. 3

- (f) (i) Complete the Cash Flow Forecast above (**Fig. 3**) by inserting the figures in the three blank boxes.

[3]

In February this pizza shop is forecast to have a negative cash flow of –£6,000.

- (ii) Which **two** predicted changes in February's figures are likely to be responsible for this negative cash flow?

1 _____ [1]

2 _____ [1]



Question 3 continued

The pizza shop has made significant profits for the past five years.

(g) Discuss **three** uses to which this franchise could put these profits.

1 _____

2 _____

3 _____

_____ [6]

Examiner Only**Marks** **Remark**

Total Question 3

[Turn over

Question 4

The M&M plc Marketing Department makes use of both primary and secondary market research.

These types of research have a number of characteristics.

(a) Next to each of the statements below put **P** for Primary or **S** for secondary

normally more up-to-date

can be time consuming to collect

the data available may not be exactly what your business wants

is expensive to undertake

[4]

M&M plc advertise nationally on television and in national newspapers on behalf of all their franchises.

Each franchisee can, if they wish, advertise their own franchise in the local media.

(b) State **two** types of local media a franchisee could use to advertise their franchise.

1 _____ [1]

2 _____ [1]

Examiner Only	
Marks	Remark



Question 4 continued

When designing advertisements businesses must make sure that the advertisement does not break the Trade Descriptions Act.

(c) Using an example, explain how an advertisement might break this law.

[2]

Question 4 continued

One M&M plc franchise has been prosecuted for breaking the Food Safety Act – inspectors found that hygiene rules were being broken. This prosecution was reported on national television.

(d) How might the news of this prosecution affect other M&M plc franchisees?

[3]

Examiner Only

Marks

Remark



Question 4 continued

M&M plc use the marketing mix to increase the sales of pizzas.

- (e) Explain how the **promotion** and **product** parts of the marketing mix could be used by M&M plc to increase sales of pizzas.

Promotion _____

_____ [3]

Product _____

_____ [3]

Examiner Only	
Marks	Remark



Question 4 continued

M&M plc are considering opening up a chain of sandwich bars. The marketing department is carrying out both primary and secondary market research.

(f) State **three** important items of information M&M plc expect to find out from conducting this market research.

1 _____

_____ [1]

2 _____

_____ [1]

3 _____

_____ [1]

Examiner Only**Marks** **Remark**

Total Question 4

[Turn over

Question 5

Examiner Only

Marks Remark

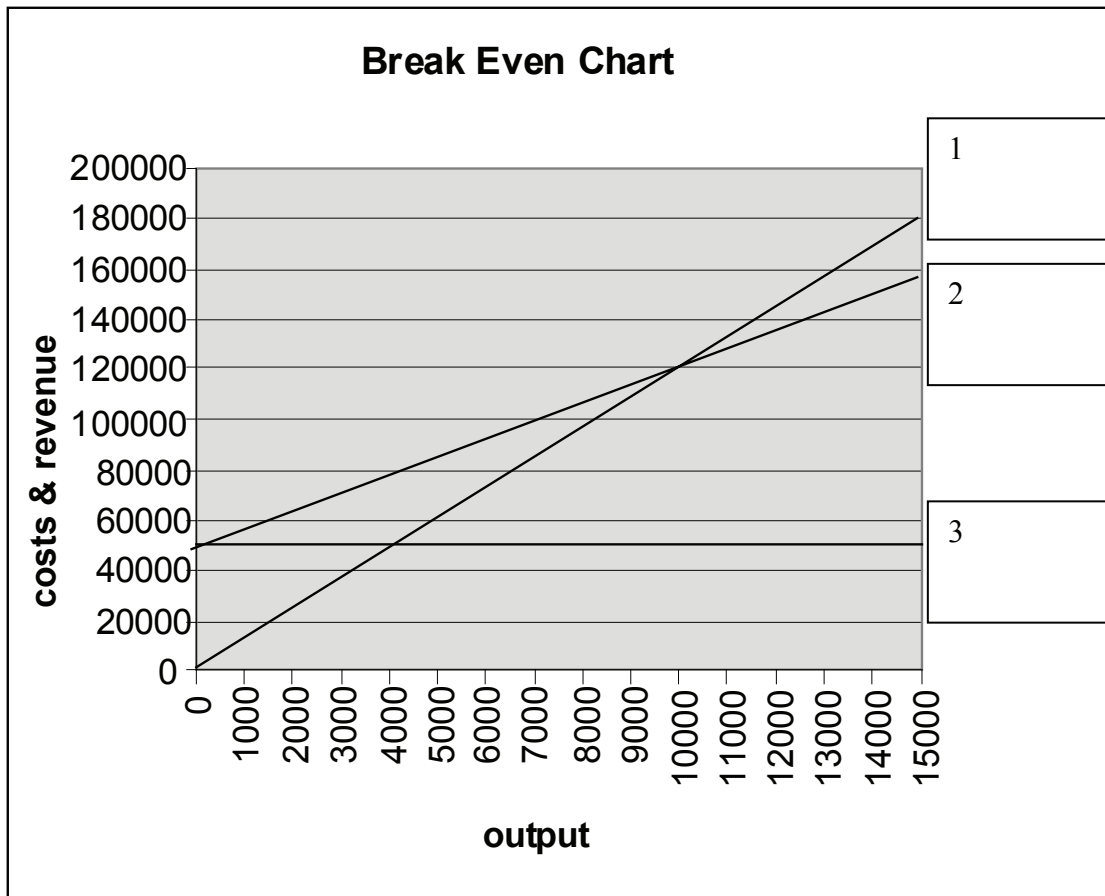


Fig. 4

(a) Label the **three** lines on the break-even chart (**Fig. 4**) using three of the labels listed below:

- Total Costs
- Total Sales
- Total Revenue
- Total Fixed Costs

[3]



Question 5 continued

(b) How many pizzas need to be sold to break even?

_____ [1]

(c) How much sales revenue is raised if the business sells 15,000 pizzas?

_____ [1]

(d) How much profit is made if the business sells 14,000 pizzas?

_____ [1]

(e) Calculate the firm's margin of safety if the business makes and sells 14,000 units. Show your working.

_____ [2]

Show your workings here:

Examiner Only	
Marks	Remark



Question 5 continued

Franchise owners realise a quality product on its own is not enough to ensure their franchise succeeds. They believe a quality service is also necessary if customers are to return.

- (f) Describe **two** ways in which the business can ensure that workers provide a quality service to customers.

1 _____

_____ [2]

2 _____

_____ [2]

Examiner Only	
Marks	Remark



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Question 5 continues overleaf



Question 5 continued

The Directors of M&M plc are considering two sites for their first sandwich bar. This will be open 6 days a week – closed on Sundays.

Market research suggests that:

- 75% of sales made Monday to Friday will come from people working within walking distance of the sandwich bar; 25% will come from people shopping locally
- 50% of sales on Saturday will be from shoppers at other stores and 40% from tourists
- 95% of customers will visit the shop on foot

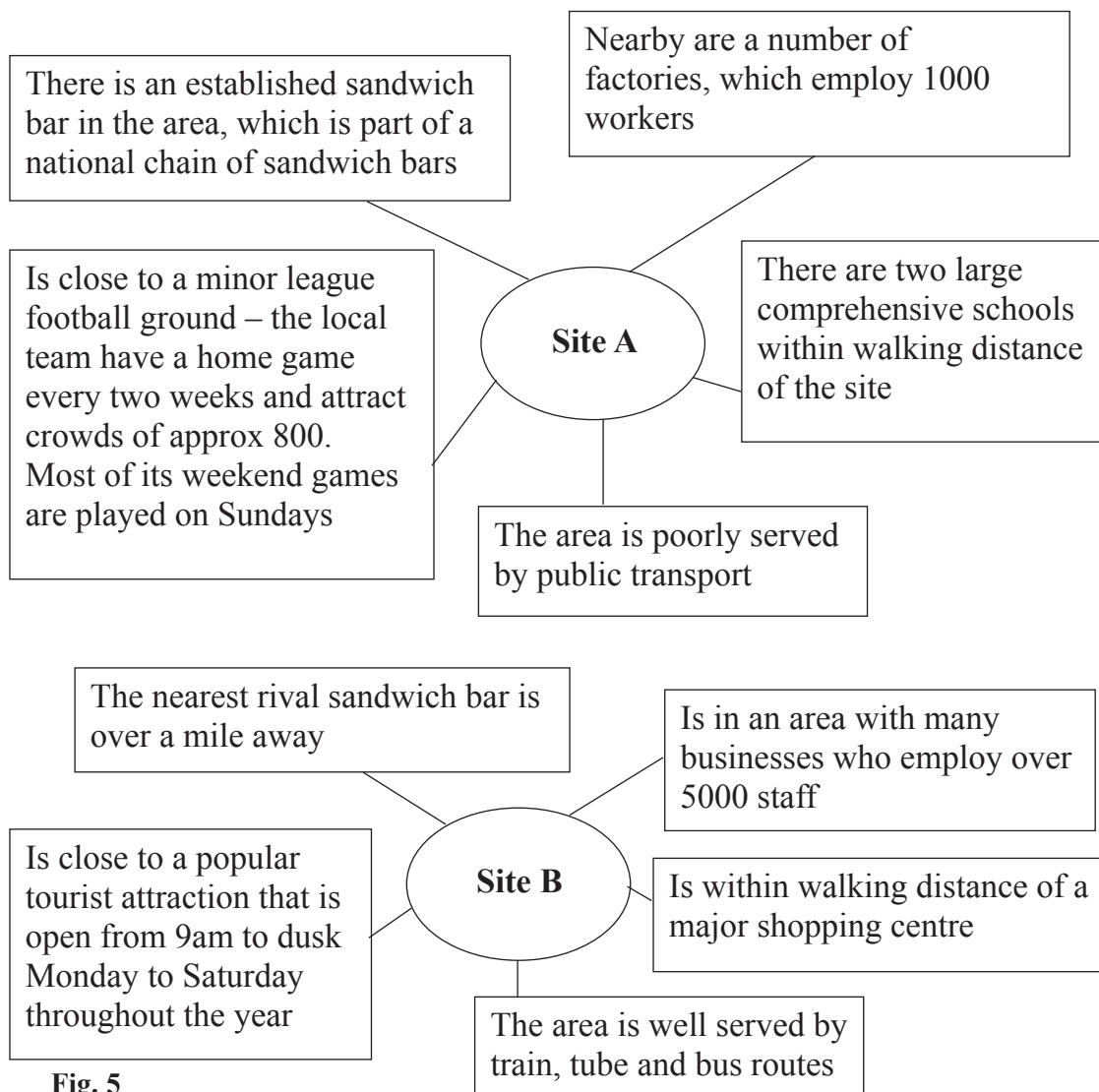


Fig. 5

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Examiner Only	
Marks	Remark



Question 5 continued

- (g) Choose the better site. Explain **four** reasons why the site you chose is the better site.

Chosen site _____

Reasons

1 _____

_____ [2]

2 _____

_____ [2]

3 _____

_____ [2]

Examiner Only	
Marks	Remark



Question 5 continued

4 _____

_____ [2]

Examiner Only	
Marks	Remark
Total Question 5	
Quality of Written Communication	

FINISH









