Business in the real world – GCSE Business Paper 1

1. No.1(01.1, 01.7, 01.10 _01.12)

0 1 . 1 Which of the following is a benefit to an entrepreneur of operating as a sole trader?

[1 mark]

A Can sell shares ⬭

B Easy to set up ⬭

C Limited liability ⬭

D Many owners ⬭

0 1 . 7 Explain **one** method of growth used by a business when expanding organically or externally.

[2 marks]

____

____

____

____

0 1 . 10 Businesses aim to meet the needs and wants of customers. Explain the meaning of the term 'need' using an example.

[2 marks]

____

____

____

____

0 1 . 12 Land is one of the four factors of production.

Identify and explain **two** factors of production other than land.

[4 marks]

Factor 1 ______________________________

Explanation ______________________________

____

____

Factor 2 ______________________________

Explanation ______________________________

____

____

2. No.2(02.4)

Item B: Luscious Locks by E

Elaine has been looking into ways to increase LLE's revenue. Elaine has identified a growing trend for organic hair treatments. Demand has risen after a popular celebrity promoted the benefits of organic hair treatments on her television show.

Elaine has found a new supplier that makes homemade organic hair treatments. The treatments are vegetable based and have a shelf life of a month. After this date they will need to be thrown away.

When making an appointment, customers have to give the salon 24 hours' notice if they want an organic hair treatment. Twenty customers booked the treatments last week. A customer has complained that she could not get an organic hair treatment whilst at the salon as she had not booked this in advance and no stock was being held.

The supplier is not local and the delivery costs are high. The supplier is encouraging Elaine to make a bulk purchase by offering a large discount on orders over 100.

0 2 . 4 Explain **one** benefit of growth to a business.

[2 marks]

3. No.3(03.3, 03.6)

Item D: Bootmills Ltd

Bootmills Ltd sells boots to retailers around the world. 2023 was a very successful year. Profits increased by 43% to £64.3 million. Sales of boots abroad account for 60% of total sales. Half of these are in Europe. Raw materials are sourced in the UK. The variable cost of each pair of boots is £50.

The business has 1300 employees. The average salary is £38 000 a year which is higher than competitors' salaries. Employee turnover is low. In 2023, a profit-sharing bonus of 5% was awarded to all employees who have worked for the business for over 12 months.

Table 1 Exchange rate of the pound to the euro

	November	**December**	**January**	**February**	**March**
£1 =	1.19 €	1.20 €	1.18 €	1.17 €	1.17 €

0 3 . 6 In Europe, Bootmills Ltd sells boots to retailers for an average of £95. The business plans to maintain this selling price.

Analyse **one** impact of the falling value of the pound on the profits of Bootmills Ltd.

[6 marks]

4. No.1(01, 01.7,01.10)

0 1 . 1 Which of the following is true for a public limited company?

[1 mark]

A It can issue shares. ⬭

B It does not have profit as an objective. ⬭

C It is owned by the government. ⬭

D Its owner(s) have unlimited liability. ⬭

0 1 . 7 Identify **two** stakeholders of a business.

[2 marks]

1 ____

____

2 ____

____

0 1 . 10 Describe **one** characteristic of an entrepreneur.

[2 marks]

____

____

____

5. No.3(03.1 03.7)

0 3 **Item C: NIST cars**

NIST is a car manufacturer which has one of its factories in the UK. All of the cars made there are sold in the UK and Europe.

The factory uses flow production. Employees are specialists, trained in one specific role of the production process. All the employees have responsibility for checking if faults exist. Employees are trained to check their work thoroughly. Mistakes must be identified before a car moves to the next stage of production. The total production of a car takes 28 hours.

The factory in the UK recently won an award for being 'The UK manufacturer of the year'. Quality standards are exceptionally high. In the last five years every car has reached the end of the production process without a fault present.

Recently the business has experienced issues with car parts. A supplier providing engine parts to NIST had to shut down for a day. As a result, NIST had to halt production of its cars for several hours. NIST orders parts from suppliers when a customer orders a car. Many suppliers are near to the factory. Some suppliers will deliver parts in less than two hours and there are frequent small deliveries throughout the day. The production of a car relies on parts arriving precisely when they are needed.

Table 3: Electric cars and changes in exchange rates

	March 2019	**March 2020**
Selling price of electric car	£20 000	£20 000
Number of cars sold in Europe	20 000	25 000
Exchange rate: pound to Euro	£1 = €1.10	£1 = €1.07
Costs in Euros to purchase car	€22 000	€21 400

0 3 . 1 Identify **one** sector of production.

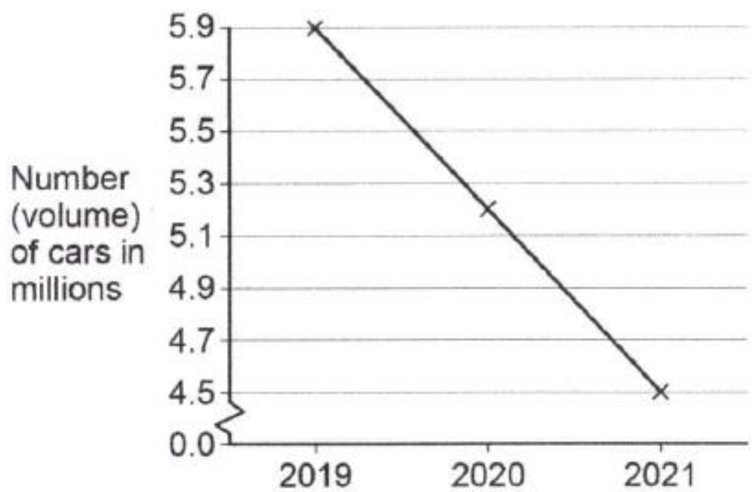
[1 mark]

Item D: NIST cars

NIST sells its cars worldwide. The world experienced a fall in economic activity in 2020 and 2021. Many countries experienced huge rises in unemployment and new car sales fell dramatically. Many consumers bought used cars rather than brand new ones.

NIST expects its fixed costs and production costs will remain the same in 2022 but using **Figure 1** it is forecasting a fall in its profits.

Figure 1: Global sales for NIST new cars



0 3 . 7 Using **Item D**, explain how global demand for new cars may be affected by changes in levels of employment around the world in 2020 and 2021.

[4 marks]

6. No.1(01.6, 01.7, 01.11)

0 1 . 6 Which of the following is one of the four factors of production?

[1 mark]

A Competitors

B Enterprise

C Growth

D Quality

0 1 . 7 Explain **one** detail that could be agreed between partners in a partnership.

[2 marks]

0 1 . 11 Explain **one** reason why a business would set objectives.

[2 marks]

7. No.2(02.1, 02.3)

0 2 **Item A: Premium Motors**

Janet owns and runs Premium Motors based in Manchester. Her business provides a luxury chauffeur service (a car and driver are hired). This has proved popular with customers who book the services for events such as weddings or parties.

Since the business started 10 years ago it has expanded slowly using organic growth. Janet would like to expand by offering the services in a new area. Her research has shown that chauffeur services are in the most demand in London. However, this is a highly competitive market.

There is an opportunity to take over an existing chauffeur company called London Luxury Cars (LLC). This takeover would cost £400 000. Premium Motors would instantly gain LLC's large customer base. This includes repeat bookings from TV celebrities and well-known hotels that book chauffeur services for their guests. Existing LLC agreements (contracts) with hotels will last for another year and Janet will then have to agree new contracts.

If Janet were to take over LLC, she would manage the company from her headquarters in Manchester. She is unfamiliar with the London area.

0 2 . 1 Identify **two** objectives of a business.

[2 marks]

1 ______________________________

____

2 ______________________________

____

0 2 . 3 Since Premium Motors started 10 years ago it has expanded slowly using organic growth.

Recommend whether Premium Motors should now take over LLC. Give reasons for your recommendation.

[9 marks]

8. No.3(03.1, 03.2)

0 3 **Item C: Fone ltd**

Fone ltd produces ultra-thin mobile phone cases and accessories. The managing director Anita Wang started the business with her three brothers 15 years ago. Each of them provided £50 000 capital. Each member of the family has an equal number of shares. The brothers take no part in the running of the business. Fone ltd plans to spend £2 million introducing one new product and expanding the product range of the business. This expansion will be funded by a loan.

Two possible options to expand the product range are:

1. introduce car phone holders
2. introduce headphones.

The business will recruit a team leader for the new production department. Anita is keen to attract an experienced manager. The salary and benefits for the job are above the average for the local area. She wants someone who can lead the new department effectively to help the success of the expansion.

Table 1 Extract of person specification for team leader's job

Essential	Desirable
Three years' experience of leading employees in a production environment	Experience of working in the mobile phone industry
Good communication skills	Health and safety training

0 3 . 1 Using **Item C**, explain **one** advantage to Fone ltd of being a private limited company when expanding the business.

[4 marks]

0 3 . 2 The business has decided to expand by introducing car phone holders to its product range.

Using **Item C**, explain the opportunity cost of this decision.

[4 marks]