Influences on Business – GCSE Business Paper 1

1. No.1(01.5)

0 1 . 5 Which of the following is the most likely effect of a decrease in interest rates?

[1 mark]

A Borrowing will be cheaper.

B Business investment will fall.

C Consumer spending will reduce.

D More people will save.

2. No.3(03.5)

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 . 5 Calculate the percentage (%) change in the value of the pound against the value of the euro from December to March.

Use the information in **Table 1** in your calculation.

Show your workings.

[4 marks]

_______________ %

3. No.1(01.6)

0 1 . 6 Which statement is most likely to be correct when interest rates rise?

[1 mark]

A Businesses increase their expansion plans. ◯

B Businesses need to reduce production to match sales. ◯

C Consumer spending rises so businesses will employ more staff. ◯

D Demand of luxury and non-essential products rise. ◯

4. No.3(03.2_ 03.8)

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 . 2 Using **Table 3**, explain **one** benefit for NIST of a fall in the value of the pound when selling cars in Europe.

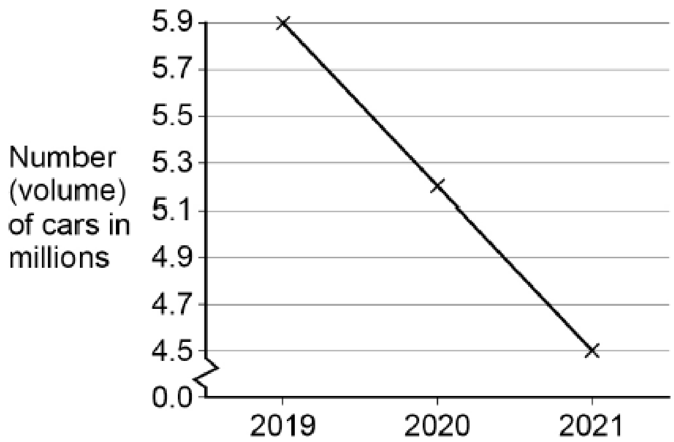
[4 marks]

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 . 5 Using the data in **Figure 1**, describe what happened to global car sales from 2019 to 2021.

[2 marks]

0 3 . 6 NIST used the graph to help forecast its profits for 2022.

Explain how information from **Figure 1** may have helped NIST forecast that profits will fall in 2022.

[2 marks]

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]

Item E: NIST cars

Electric cars help with reducing air pollution and there has been an increase in demand for this type of car as there has been growing concern about the environment. Europe has seen a huge rise in sales of electric cars. NIST has one model of electric car called the Folio. The Folio is the UK's market leader. In Europe, however, sales of the Folio model have been disappointing. NIST has now designed a new electric model called the NIST March, which is aimed at the European market and will be produced in its factory in Spain.

The Folio is made in the UK factory which has the highest record for quality standards and efficiency of all NIST factories. Electric engines are made in Europe, which means the engines for the Folio have to be imported into the UK. The fall in the value of the pound has made imports more expensive. Transportation costs for cars sold from the UK in Europe have also risen.

Large cities in the UK are introducing a daily fee for cars entering the city; electric cars are not charged this fee. This has opened up a new possible market to sell electric cars to businesses who will be affected by this daily charge such as taxi companies.

NIST will create an e-commerce website aiming to sell to businesses in the UK. Cars can be ordered in large quantities and can be delivered anywhere in the UK direct to the business customer. Technology will be used to show features of cars using videos with a virtual test drive. The selling price will be lower than in car showrooms if customers order more than one car. Delivery is included in the selling price.

0 3 . 8 In the current economic climate, the selling price for a car cannot be increased. To improve profits NIST must sell more cars next year. To increase the number of cars sold NIST will be using these **two** options:

1. Produce the new electric car, the NIST March, at its factory in Spain.
2. Set up an e-commerce website to sell the existing Folio electric car to businesses in the UK.

Analyse the effect of **each** of these **two** options for NIST.

Evaluate which of these **two** options will have the biggest impact on the number of cars sold by NIST.

[12 marks]