Business in the real world – GCSE Business Paper 1

1. No.1

01.1 Which of the following is a benefit to an entrepreneur of operating as a sole trader?

[1 mark]

Sole proprietorships are generally the simplest and least expensive business structure.

A Can sell shares ☐

B Easy to set up ☒

C Limited liability ☐

D Many owners ☐

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

[2 marks]

Merger this occurs when two or more businesses join together to form a new business.

Others; Takeover, franchising, opening new stores, expanding overseas.

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

[2 marks]

A need is a basic human requirement e.g food, clothing, shelter, warmth, water.

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 Labour

Explanation The workforce needed to produce a Product or service.

Factor 2 Capital.

Explanation This is the equipment or machinery used to provide the goods or service.

Others: Enterprise.

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]

- More power in the market. because larger businesses can negotiate lower prices.
- Economies of scale as the business increases its output unit costs fall.

others: - Higher market share.
- Increased number of customers / sales.

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 . 3 Bootmills Ltd recently started using local suppliers of raw materials who have agreed to meet its needs.

Analyse **one** factor which would have been considered when making the decision to change suppliers.

[6 marks]

A factor such as the range of product a supplier can provide will have been considered as this will ensure that the business has the range of raw materials needed to produce the different parts of the boots.
As the business uses a range of different leathers and thickness in the production process, a supplier being able to supply all of the different raw materials will be an important factor in the decision as it will

Extra space ensure that the production runs smoothly. Should a supplier not be able to provide a type of leather for example suede, then this style of boots will not be able to be manufactured, therefore the choice of supplier ensures that no styles of boots are delayed in being made and the business is able to meet demand of the retailers and customers.

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]

The falling value of the pound will mean that the boots are cheaper for European retailers as they need less euros to pay the £95 cost to Bootmills Ltd, which is not changing.
Buying boots from Europe in March is lower by 2.5% than earlier in the year. This fall in cost could then lead to an increase in demand as lower cost with no reduction in quality will be the

Extra space main factor driving demand in Europe. Europe represents 30% of the business's sales this should see a rise in sales for Bootmills Ltd.

Although higher sales will mean more variable costs, if fixed costs stay the same there will be a rise in profits for the business.

Question 3 continues on the next page

4. No.1(01.1, 01.7,01.10)

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

A public limited company their shares can be publicy traded on a stock exchange.

[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. for purchases.

[2 marks]

1 Customers

2 Employees | Managers.

- Local community, Government, Suppliers, Government, Lenders | Banks | creditors, Shareholders | Owners | Investors.

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

[2 marks]

- Hardworking to get the business known.
- Organised to manage workload.
- Innovative to spot opportunities.
- Willing to take risks.
- Creative.

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]

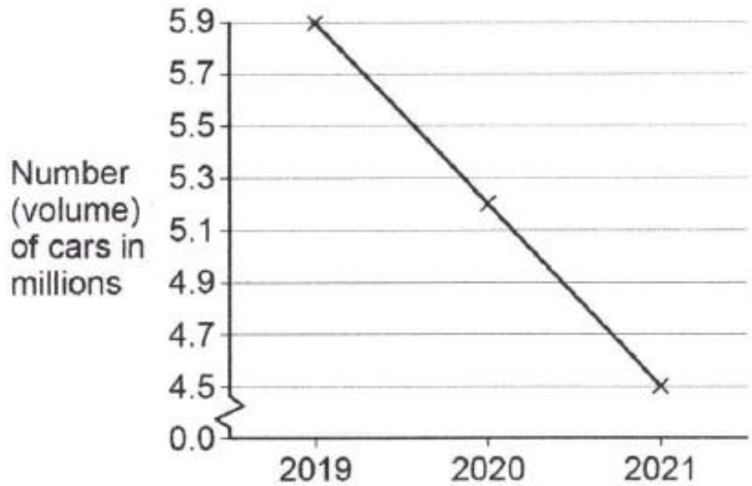
- Tertiary level / Service
- Primary
- Secondary / Manufacturing.

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]

Unemployment will give individuals less money to spend on goods and services, as cars are expensive products then the purchase of them may be reduced or put on hold. Sales of new cars have been failing therefore the switch to used cars to save money at a time when disposable income may be falling. Customer may delay buying a new car until they have job security.

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]

The factors of production are Labour, land, Capital and enterprise.

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]

Voting rights would indicate how much say each partner would have when decisions are made.

Others: Salary, profit sharing, Capital, amount of investment, Sharing of liability, sharing of workload.

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

[2 marks]

Objectives could be set to make it clear what the business wants to achieve so that resources can be focused on achieving the objectives.
- Targets can be measured to judge success.
- All employees working towards the same goal.

0 1 . 12 Explain **two** benefits to a business of using internal recruitment.

[4 marks]

1 It will cost less than external recruitment as the business doesn't have to pay for expensive external advertising.

2 Offers existing employees the possibility of promotion meaning that they work harder.

Others: - Requires less induction.
- Saves time to recruit an employee
- Candidates will have experience of the business.

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 Survival

2 Profit.

- Growth
- Market share
- Lower costs.
- Improve cash flow.
- Shareholder value.
- Customer satisfaction.

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]

Premium Motors has been growing using organic growth which has taken 10 years. Premium Motors will gain LLC's customer base instantly. Taking over an established business will be quick method of growth. The takeover will instantly give Premium Motors an existing customer base and reputation compared with organic growth.
Taking LLC will make Premium Motors highly competitive in the market. The takeover will save Premium the time to establish a customer base and reputation compared to organic growth.
As the London market is competitive there is risk of

Extra space using organic growth that Janet will not be able to attract customers away from the competition in an area where she has no reputation.

In conclusion Janet doing a takeover is beneficial than that of organic growth, this is because as the organic growth took 10 years in the past external growth will enable Premium Motors to expand quicker.

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]

Limited liability. An advantage of a private limited company is that the founding owners have/can maintain control through the sale of shares. Anita and her 3 brothers have complete control over the business as they have not sold any further shares. Therefore when making decision on expanding its only four people who are involved.

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]

Opportunity cost occurs when a business is faced with a decision and must decide on one over another. Fone Ltd had two option's available to it and when it made the decision to go ahead with producing car phone holders a sacrifice was made. As the business can only invest £2 million in one option the option that was given up, producing headphone is the opportunity cost.