

Business operations – GCSE Business Paper 1

1. No.1(01.1, 01.2,01.4)

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

☐

01.2

Which of the following is a method of internal recruitment?

[1 mark]

A Advertising at a job centre

☐

B Advertising in a newspaper

☐

C Advertising on a noticeboard in the staffroom

☒

D Advertising with an employment agency

☐

Internal recruitment refers to the filling job vacancies by considering current employees within the organization.

01.4

Which of the following is correct for a flat organisational structure?

[1 mark]

A flat organizational structure is characterized by having fewer levels of management between employees and top management.

A Many levels of hierarchy

☐

B Many opportunities for promotion

☐

C Narrow span of control

☐

D Short chain of command

☒

2. No.2(02.5 _ 02.7)**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 . 5

Elaine ordered 20 organic hair treatments for £300 in total.

Calculate the unit cost of each treatment.

Show your workings.

$$= \frac{\text{Total}}{\text{organic treatments}}$$

$$= \frac{£300}{20}$$

$$= £15$$

[2 marks]

£ _____

0 2 . 6

The supplier has offered a 35% discount.

Calculate the total cost of 120 organic hair treatments with this discount. Use your answer to Question 2.5 in your calculation.

Show your workings.

[3 marks]

$$120 \times £15 = £1800$$

$$£1800 \times \frac{35}{100} = £630$$

$$= £1800 - £630 = \underline{\underline{£1170}}$$

£ 1170.

0 2 . 7

Elaine orders the treatments to arrive just in time for each customer's appointment.

Recommend whether Elaine should change to just-in-case stock control. Give reasons for your recommendation.

[9 marks]

If the salon uses just-in-case ^{stock} control the salon can buy in bulk, this will mean the LLE can benefit from economies of scale because they can lower the unit cost of purchasing the treatments from the supplier due to the 35% discount and LLE will be able to reduce current high delivery costs. Delivery costs are very high which means less frequent deliveries is more economical for LLE.

LLE has secured 20 bookings for the treatments in a week, this shows that the treatments are popular. Therefore LLE's profit margin per treatment will increase. This means that they will be able to recover the cost of the

Extra space treatment more easily because the cost per unit will be lower.

This means they could use this profit to invest in LLE or pass the cost saving to customers in lower prices.

for the treatment.

Just-in-case avoids disappointed customers.

This is because the inventory is sufficient to serve the needs of the customer.

In conclusion using just-in-case stock is good as it helps to save in the costs of storage and also it saves on space for storage.

3. No.3(03.7)

Item E: Bootmills Ltd

Bootmills Ltd is the market leader in the UK. To improve profits, Bootmills Ltd must increase sales to China and the USA. However, international markets are highly competitive. Boots are currently sold for an average of £95 to retailers. The variable cost of each pair of boots is £50.

In China, retailers prefer 'face-to-face' meetings with the manufacturer. Chinese retailers are prepared to pay a premium price for British brands. The size of the Chinese boot market is \$79 billion for sales of all brands.

Retailers in the USA have indicated that they are more likely to buy the product if the price can be reduced to £70. The size of the USA boot market is \$99 billion for sales of all brands.

Bootmills Ltd's directors are considering two options.

Introducing flow production.

Boots can be made quickly using a fully automated process. The skilled workforce will be offered jobs elsewhere in the business. There will be an estimated 300 redundancies. Employees have indicated they will strike if this many jobs are lost.

The savings on salaries over 2 years will cover the cost of the new machinery and redundancies. After this, the cost saving can be passed on to customers. The variable costs of production will fall to £20 per pair of boots.

Changing the role of the workforce.

Bootmills Ltd currently has 50 employees who deal with sales over the telephone and email. Thirty of these employees could change to being based abroad in countries such as China and the USA. These employees will meet with the local retailers to:

- show new designs
- take orders
- get feedback on the needs and wants of customers in overseas markets.

These employees will be offered a £10 000 pay rise. The directors are confident many of the existing sales team will be interested in working abroad. This should reduce redundancies.

Recruiting and training for the new role should take 8 months.

03.7

Bootmills Ltd wishes to make its boots more competitive abroad. The directors are considering **two** options.

1. Introducing flow production.
2. Changing the role of the workforce.

Analyse the effect of each of these **two** options on Bootmills Ltd.

Evaluate which of these **two** options will have the bigger impact on Bootmills Ltd competing internationally.

[12 marks]

Bootmills Ltd should introduce flow production. It increases the output and quality of boots. The international markets are highly competitive meaning that the selling price is probably going to have to be reduced without any compromise on quality. By use of skilled workforce will be offered jobs elsewhere in the business, estimate over 300 redundancies.

It ensures that profits are maintained one way to do this is to reduce the production costs. The savings of salaries over two years will cover the cost of the machinery and redundancies, after which the cost saving can be passed on to the customers.

The flow production will allow the business to reduce the costs at the same time as maintaining the quality.

Flow production will mean replacing the staff needed to produce the boots with machinery. The union have indicated that they will strike if this many jobs are lost. As the business can save the costs for 300 employees this will result in the variable costs of producing falling to £20, a significant saving of £30 per boot. The variable costs of production will fall to £20, £30 reduction.

In conclusion LKE will have the cost savings will cover this £25 reduction allowing the business to be more competitive in the market, boosting sales where the overall sales of boots are \$99 bn for sales of all brands.

4. No.1

0 1 . 2

Which of the following costs is an example of a variable cost?

[1 mark]

- Variable costs are expenses that change in proportion to the amount of goods or services a business produces. eg Packaging costs, utility costs, labour, sales commissions.
- A Advertising ☐
- B Interest ☐
- ☒ C Packaging ☐
- D Rent ☐

0 1 . 3

Which of the following statements describes job production?

[1 mark]

- Job production is a method of production where individual items are produced on a single project is completed to meet specific requirements or specifications of a particular customer.
- A An employee focuses on a limited number of tasks. ☐
- B Each employee is given an individual task. ☐
- ☒ C Items are produced individually to meet the exact requirements of a customer. ☐
- D The business aims to complete each task with minimum waste. ☐

01.8

^{Owner's inventory.}
Explain one cost of maintaining quality during the production of a product.

[2 marks]

Staff training may be cost of maintaining quality this is so employees can complete the job to the required standard.
other; Inspection cost, time, material, time, equipment.

01.9

Explain one disadvantage to a business of poor customer service.

[2 marks]

- Negative reviews means it is difficult to attract new customers.
- May lead to dissatisfied customer which means they will not shop at the business again.
- poor reputation leading to less repeated sales.
- Less customer loyalty as customers go to competitors.

5. No.3(03.3, 03.4)

03.3

NIST orders parts from suppliers when a customer orders a car.

Analyse **one** drawback to NIST of using just-in-time (JIT) stock control for parts needed to produce its cars.

[6 marks]

The production of a car at NIST relies on parts arriving precisely at the right point during 28 hours of production. If there is an issue with a supplier then it will slow or halt production. NIST has experienced this recently as it has limited parts in stock to fall back on. A halt in production will mean employees' time will also be wasted and there will be delays to customers receiving cars, recently by up to 7 hours. Customers may view this as poor customer service and possibly make complaints to NIST which in the long run can affect customer loyalty.

03.4

In the last five years every car has reached the end of the production process without a fault present.

Analyse **one** benefit of using total quality management (TQM) to maintain standards in the production of cars at the NIST UK factory.

[6 marks]

Faults are corrected before they become more costly as mistakes in the production of cars are identified before they move to the next stage of production. This means that employees who have responsibility for that stage of production can correct the faults. This can be quicker as the employees have specialised in this stage of production. This makes it cheaper than waiting until the car is finished at the end of the production line.

Extra space As at this time the whole car may have to be dismantled again, which could mean ^{mean} up to another 28 hours of production time to complete and therefore a large waste of time for employees.

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.

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 Survival2 Profit:

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

Premium Motors has received a booking for a wedding in Manchester that requires **four** cars. Premium Motors will make £50 profit per car.

The costs will be as follows:

- driver £50 per car
- petrol £20 per car
- £200 payment towards fixed costs.

0 2 . 2

Calculate Premium Motors' revenue for this booking.

[5 marks]

$$VC \text{ per car} = £50 + £20 = £70$$

Total

$$\text{Variable Cost} = £70 \times 4 = £280.$$

$$\text{Total Costs} = £280 + 200 = £480$$

$$\text{Total profit} = £50 \times 4 = £200$$

$$\text{Revenue} = £480 + £200 = \underline{\underline{£680}}$$

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 have 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 a 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 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 to organic growth took 10 years in the past external growth will enable Premium Motors to expand quicker.

8. No.1(01.1_01.12)

01.1

Which of the following is a financial method of motivation?

[1 mark]

☒ A Commission

B Greater responsibility

C Job share

D Training

Commission is a financial method of motivation because it directly links employee's earnings to their performance, typically based on sales and other outputs.

☐☐☐☐

01.2

Which of the following is an example of on the job training?

[1 mark]

A A health and safety course at a local college.

B An ICT course at a training centre.

☒ C Observing an employee doing her job.

D Studying for a degree online.

☐☐☐☐

On-the-job training refers to the training that takes place while an employee is actively working and learning practical skills directly related to their role within the workplace environment.

01.3

Which of the following is correct when a business uses just-in-case stock control rather than just-in-time stock control?

[1 mark]

Just-in-Case stock Control involves holding a larger inventory of goods to anticipate potential disruptions or surges in demand.

A Deliveries are more frequent. ☐

B Less warehouse space will be needed. ☐

C Stock is less likely to go out of date. ☐

D Sudden increases in demand are not a problem. ☒

Just-in-time aims to minimize inventory by receiving goods only as they are needed.

01.4

Which of the following is a benefit of using a website to provide information to customers?

[1 mark]

Website is an accessible platform where proactively address customer inquiry and FAQs.

A Can include answers to customer questions. ☐

B Followers can comment on your posts. ☐

C Goods and services can be sold online 24/7. ☐

D Products can be sold in many countries. ☐

01.5

Which of the following describes the total quality management approach (TQM)?

[1 mark]

A Checking for faults only at the end of production. ☐

B Preventing mistakes. ☒

C Recalling faulty products sold. ☐

D Repairing returned items free of charge. ☐

Total Quality Management is a management philosophy that emphasizes continuous improvement in all aspects of an organization, Question 1 continues on the next page focusing on Customer satisfaction and defect prevention.

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 . 8 Explain one reason why it is important for a business to have an internal organisational structure.

[2 marks]

An internal organisational structure allows a business to organise its employees so that they know their roles in relation to other employees in the organisation.

0 1 . 9 Explain one example of how a business would meet the requirements of consumer law to provide safe goods or services.

[2 marks]

Consumer law states goods must be labelled correctly, for example a business need to state what ingredients are in food products.

0 1 . 10

Explain one reason for completing a job analysis.

[2 marks]

Job analysis examines the skills needed to carry out the job so that the right person to carry out the job can be appointed.

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.

9. No.2(02.6)

Item B: Premium Motors

Janet has decided not to expand the business in London as demand for its services has increased in the Manchester area. A new website now helps to manage the increase in enquiries. Customers can look at the cars from a web page of photos and videos. They can use the live online chat service to ask questions and get instant feedback. There is no set price for the hire of a car. The price depends on several factors, such as:

- distance and day of the journey
- the amount of time the car is needed
- the number of pickup and drop off locations.

At present there are no prices for car hire on the website. Customers must telephone a salesperson between 9 am and 6 pm Monday to Friday to agree the price of their car hire booking.

Premium Motors prides itself on the quality of its service. Drivers are encouraged to greet customers with a smile and engage in conversation several times throughout the journey. Janet has previously issued new drivers with a leaflet outlining the company policy on customer service.

Janet is considering introducing a new induction training programme for the new drivers. It will include:

- a video of an experienced driver dealing with a customer
- a role play exercise where a new driver can practise dealing with difficult customers.

0 2 . 6

there are many companies about driving .
 Premium Motors has developed the new website to provide information about cars before making a booking. Janet is thinking of adding the option to book cars directly on the website.

Recommend whether Janet should use e-commerce to **improve customer service** at Premium Motors. Give reasons for your recommendation.

[9 marks]

They could use E-commerce because it will improve customer service as it allows customers to book at times convenient for them, increasing customer satisfaction. Prices can be requested using online chat and then easily booked. Telephoning a sales person between

9am and 6pm Monday to Friday for the rest of the car hire could be inconvenient. The sales team is only currently available Monday to Friday between 9am to 6pm, this means that if a customer is at work, they may not be able to contact them.

Having e-commerce provides reliable time for the customer to check on
Extra space two products sold. Looking for videos and photos should give the customer the information they need and the online chat could be used to get an accurate price.

Therefore use of e-commerce will be of great help hence it could lead to more sales due to the convenience and even more increase in demand for the services.

10. No.3(03.4 _ 03.7)

Item D: Fone Ltd

Demand for the ultra-thin phone cases has been increasing. However, the production department has not been able to make them in the quantity required. Fone Ltd has decided that it will introduce flow production in the department.

Specialist machinery was installed in April. In the new flow production process, workers have specific jobs, such as loading different coloured materials into the machines. The process will allow changes to be made quickly, such as the shape and style of the phone cases for different makes and models of phones. The new flow production process means the business can produce up to 100 000 phone cases a month.

Table 2 Information on production of phone cases at Fone Ltd

	March	April	May	June
Number of employees in the production department	14	10	10	10
Total costs	£160 000	£179 000	£234 000	£275 000
Total output (number of phone cases)	20 000	25 600	?	50 000
Average unit cost of each phone case	£8	£7	£6	£5.50

0 3 . 4

Identify **one** reason for diseconomies of scale occurring.

[1 mark]

- Reduced employee motivation.
- Poor communication.
- Coordination issues
- Management issues.

03.5

Using the information in **Table 2**, calculate the average number of phone cases per month produced from April to June.

[4 marks]

$$\text{Output for May} = \frac{234000}{6} = 39,000$$

$$\begin{aligned} \text{Total output for 3 months} &= 25600 + 39000 + 50000 \\ &= 114600 \end{aligned}$$

$$\text{Total output for 3 months} = 38200$$

Answer 38200

03.6

Demand for the new ultra-thin phone cases is increasing.

Analyse one advantage to Fone Ltd of introducing its new flow production process.

[6 marks]

The business is experiencing an increasing demand for ultra-thin cases and the new flow production process means the business can produce up to 100 000 phone cases per month. Flow production will make it more efficient as production can be continuous without the need to stop. The specialist machine will enable the business to use this increase in output to meet the demand for different shapes and styles of phones which will need slight changes made such as the colour, allowing a wider range of consumer demand to be met.

Item E: Fone Ltd

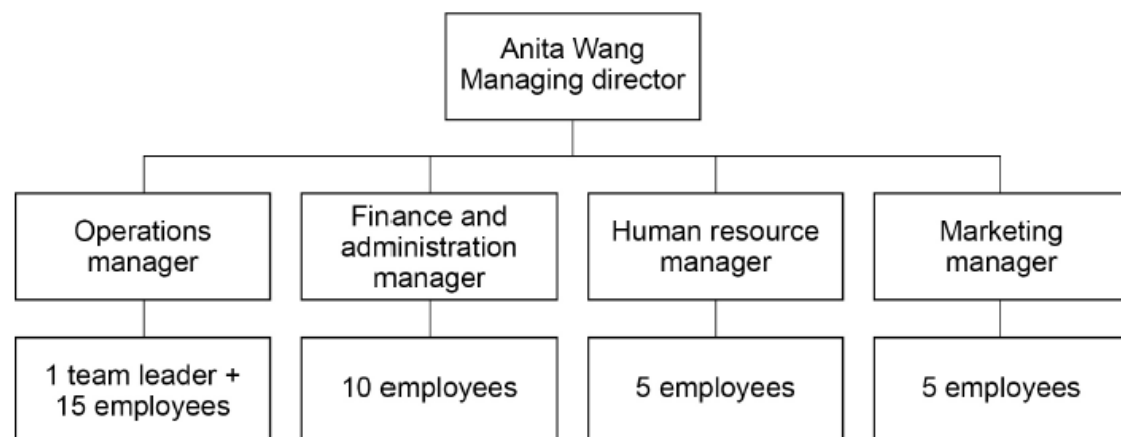
Average unit costs have increased recently at Fone Ltd. Anita feels that low employee productivity is the reason for this. To improve productivity, she is considering two options.

Introduce a new lean production technique

- Each department can have a group of up to three employees making suggestions on how to improve the process to lead to higher productivity.
- It will be optional to join these groups.
- Groups can be set up immediately and will have responsibility for reviewing roles and tasks within the department and suggesting changes.
- There will be a bonus of £5000 for each department (to be shared within the department) if they improve productivity in the next three months.

Change the organisational structure and recruit internally for new assistant managers within each department

- Internal recruitment for assistant managers can be completed within a month.
- This will result in a pay rise of £5000 for successful applicants.
- Assistant managers will have the authority to make some decisions and will oversee training.

Figure 1 Current organisational structure of Fone Ltd**Table 3** Information about employees' productivity in each department at Fone Ltd

	Operations	Finance and administration	Human resources	Marketing
Daily hours employees are working productively (maximum = 8 hours)	6	7	7.5	7.7

03.7

Anita wants to increase the productivity of all employees quickly and plans to use two options to achieve this.

1. Introduce a new lean production technique to each department.
2. Change the organisational structure and recruit internally for new assistant managers within each department.

Analyse the effect of each of these two options on all employees at Fone Ltd.

Recommend which option Fone Ltd should introduce first to improve productivity of all its employees in the short term.

[12 marks]

Lean production looks at inefficiency and can boost productivity and reduce costs. The groups will look at job roles and make suggestions for change. Being part of the group could be a non-financial method of motivation as it could lead to a greater responsibility. Each group will have the responsibility to look at roles and tasks within the department and look for changes to improve on productivity. The employees who work within the department are the best people suited to making changes. Groups can be set up immediately.

Lean production and being part of the groups could be a non-financial method of motivation as it could lead to a greater responsibility.

The reward for all staff can be a financial method of motivation by

Use of £5000 bonus to be shared among the department. This can help to boost job satisfaction which can lead to a higher level of productivity. The employee who want to get involved can do as it is optional, however as the bonus will be shared then all employees will benefit. The reward for all the staff can be a financial method of motivation. As they can be set up immediately then the changes could be made quickly and within 3 months the bonus could have been given out.

Therefore the pay could be the main issue for lower motivation and hence the use of lean production could be of great help to increase motivation and productivity and a payrise for all maybe more effective.