

OCR

Oxford Cambridge and RSA

Wednesday 6 June 2018 – Afternoon

GCSE BUSINESS STUDIES

A293/01 Production, Finance and the External Business Environment

Candidates answer on the Question Paper.

OCR supplied materials:

- Clean copy Case Study

Other materials required:

- Calculators may be used

Duration: 1 hour 30 minutes



Candidate forename		Candidate surname	
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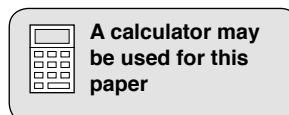
Centre number						Candidate number				
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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. HB pencil may be used for graphs and diagrams only.
- Answer **all** the questions.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- Write your answer to each question in the space provided. If additional space is required, you should use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.
- Do **not** write in the barcodes.
- Make sure that all your answers relate to the Case Study material.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **90**.
- Your quality of written communication will be assessed in questions marked with an asterisk (*).
- This document consists of **16** pages. Any blank pages are indicated.



1 (a) Section 1, line 8 of the case study states that '42 businesses closed and only 15 start-ups occurred' in Bowton between 2008–2011.

(i) Using the information above, calculate the fall in the number of businesses in Bowton between 2008–2011. Show your working.

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[2]

(ii) Section 1 lines 11–12 state that 'there would be a rise in the sales of goods in Bowton.' State and explain **two** ways the extent of a change in income affects the sales of goods.

1

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2

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[4]

(iii)* Section 1 lines 14–16 states that Bowton Town Council had ‘decided to encourage businesses in Bowton by offering grants to those that wanted to locate or expand in the town’ as part of its Regeneration Plan.

Using evidence from Section 1, do you believe the policy of Bowton Town Council to give grants has been successful? Give reasons for your answer.

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(b) Section 3 raises some points about Tom’s Toys and about the UK’s membership of the EU.

(i) Analyse **one** possible advantage to Tom’s Toys of the UK being a member of the European Union.

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..... [3]

(c) Fig. 1 in Section 3 is a cash flow forecast for Tom’s Toys.

(i) Explain **one** way a cash flow forecast may be useful to Tom as the owner of Tom’s Toys.

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..... [2]

(ii)* Using the information in Fig. 1 and any other relevant information from the case study, recommend whether or not Tom Cansell, the owner, should stop trading and close the shop. [10]

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2 (a) Section 4 states that GG Toys plc moved production from Bowton to China but that the Marketing Department stayed in Bowton.

(i) State and explain **two** possible benefits to GG Toys plc of moving production to China.

Benefit 1

Explanation

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Benefit 2

Explanation

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[4]

(ii) State and explain **two** possible benefits to GG Toys plc of keeping its marketing department in Bowton.

Benefit 1

Explanation

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Benefit 2

Explanation

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[4]

(b) Section 5 shows information about the costs of producing the Georgie Girl doll in 2015 and 2016.

(i) Using an example, state what is meant by the term 'fixed costs.'

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(ii) The amount spent on materials for each doll fell from £1.20 per doll in 2015 to £1.08 per doll in 2016.

State and explain **one** type of economy of scale which could explain this reduction in material costs.

Type of economy of scale

Explanation

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..... [3]

(iii) Labour costs rose from 80p per doll in 2015 to £1.20 per doll in 2016.

State and explain **one** reason why labour costs for the Georgie Girl doll may have risen.

Reason

Explanation

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..... [3]

- (iv) Calculate what happens to the **amount** of money spent on promotion costs per Georgie Girl doll in 2016, compared to 2015. Show your working.

Working

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Answer [4]

- (c) Section 6 of the case study refers to changes in the exchange rate of the pound (£) against the yuan (¥) and against the euro (€).

- (i) The exchange rate of the pound against the yuan was £1 = 10 (¥) at the start of 2016. The cost to GG Toys plc of producing one Georgie Girl doll at that time was £5.

Calculate this cost to GG Toys plc in yuan.

..... ¥ [1]

- (ii) The total cost of producing one Georgie Girl doll in 2018 is 96¥. The exchange rate in 2018 is £1 = 12¥.

Calculate this cost in pounds (£s). Show your working.

Working

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Answer: £ [2]

- (iii) Analyse how the change in the exchange rate from £1 = 10¥ to £1 = 12¥ might affect the profit GG Toys plc would make on each Georgie Girl doll it sold.

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(iv) Analyse how the fall in the exchange rate of the pound (£) against the euro (€) would affect the export sales of GG Toys plc to countries that use the euro (€).

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(d) Section 6 of the case study states that Sundeep believes environmental concerns connected with production in China could become a problem for GG Toys plc.

(i) Choosing from the list below, draw two lines to correctly identify **two** examples of environmental issues.

Environmental issue	Examples of environmental and ethical issues.
	1 A business uses child labour.
	2 A business puts waste products into rivers.
	3 Goods made in China are flown to the UK before being distributed.
	4 A business does not provide safe working conditions for its workers.

[2]

(ii) Explain why environmental concerns could become a problem for GG Toys plc.

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(e) Section 6 of the case study states that Sundeep thinks a rise in interest rates is likely.

Choosing from the list below, tick (✓) whether each of the statements about interest rates is **true** or **false**.

Statement	True (✓)	False (✓)
A rise in interest rates will mean that GG Toys plc will receive more in interest on any money it has in bank savings.		
A rise in interest rates will encourage people to save more, reducing spending on toys sold by GG Toys plc.		
A rise in interest rates will encourage people to borrow so this will increase the sales of GG Toys plc.		
A rise in interest rates will increase mortgage costs so some people will have less money to spend.		

[4]

3 (a) Section 7 of the case study gives information about the net profit figures for GG Toys plc for the period 2014 – 2016.

(i) Calculate the **amount** by which net profits fell between 2014 and 2016. Show your working.

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..... [2]

(ii) Explain why a shareholder of GG Toys plc might be concerned about the fall in net profits for the period 2014 – 2016.

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(b) Section 8 of the case study states that GG Toys plc will start to sell its toys online using a warehouse as a depot.

(i) Analyse **one** advantage to GG Toys plc of leasing the warehouse.

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- (ii) Using information from the case study, state whether you agree with the decision announced by Isobel Liu to lease the warehouse rather than buy it using retained profit. Give reasons for your answer.

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..... [4]

Turn over for Question 3(c)

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END OF QUESTION PAPER

ADDITIONAL ANSWER SPACE

If additional space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s).

A large rectangular area with a solid vertical line on the left side and horizontal dotted lines across the rest of the page, providing space for writing answers.



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