

Centre Number						Candidate Number				
Surname										
Other Names										
Candidate Signature										

For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
TOTAL	



General Certificate of Secondary Education
June 2014

Business Studies

413002

Unit 2 Growing as a Business

Monday 2 June 2014 9.00 am to 10.00 am

You will need no other materials.
You may use a calculator.

Time allowed

- 1 hour

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 60.
- You are reminded of the need for good English and clear presentation in your answers. Quality of Written Communication will be assessed in questions 1(d), 2(d) and 3(d).



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413002

Answer **all** questions in the spaces provided.

Total for this question: 19 marks

- 1 Read **Item A** and then answer the questions that follow.

Item A

Dotis Ltd



Dotis Ltd is a long-established glassware business that makes luxury crystal glasses and bowls. The company, which is based in an area of high unemployment, employs about 200 local people. Many of the workers have been at Dotis Ltd all their working lives and their parents and grandparents also worked there. Currently, many of Dotis Ltd's employees are over 50.

The quality of the glassware is checked at the end of the production process. Dotis Ltd has noticed recently that the percentage of glassware items rejected for being below standard has risen from 5% to 13%. The manager believes that some of the older employees are not as skilled as they used to be. The below-standard items are sold to wholesalers at about a third of the normal price, or scrapped if they are very poorly made.

Dotis Ltd is thinking of opening a shop at the factory to sell its products directly to the public. The shop would sell both quality and below-standard glassware. This factory shop would need a manager to supervise the 16 employees who would be working there. The plan is to use older employees as shop assistants.

Source: photograph, Getty Images



1 (a) Explain **one** suitable method to promote the opening of the factory shop. **[2 marks]**

1 (b) Briefly explain **two** advantages to Dotis Ltd of opening a factory shop to sell its glassware directly to the public. **[4 marks]**

Advantage 1 _____

Extra space _____

Advantage 2 _____

Extra space _____

Question 1 continues on the next page.



1 (c) Explain how Dotis Ltd might reduce the percentage of below-standard glassware that it produces.

[4 marks]

Extra space _____

1 (d) Dotis Ltd needs to recruit a manager for the factory shop. It is considering **two** ways of doing this:

- promoting an existing employee
- recruiting somebody new to the business.

Advise Dotis Ltd on which would be the better option for the business to take. Use **Item A** to support your answer.

[9 marks]



Blank lined area for writing.

Extra space _____



Total for this question: 19 marks**2** Read **Item B** and then answer the questions that follow.**Item B****Hey Presto Ltd**

Parcel delivery company, Hey Presto Ltd, started in 1987 with just three vans. Over the years the business has been successful and now has 120 vehicles which operate in the London area. Most of the journeys the vans make are through busy city streets. A number of smaller competitors have recently entered the parcel delivery market. These new businesses charge lower prices in order to attract the customers from bigger organisations such as Hey Presto. Often these companies own very old and unreliable vans.

Major shareholder, Christine, would like to expand the business and to provide a national service. Christine has been in talks with the owners of Birmingham-based Fast Track Ltd, a similar sized business to Hey Presto. Fast Track's owners are keen to merge with Hey Presto. Christine is unsure if merging is the best way for Hey Presto to expand. She believes that continuing to buy new vans each year from Hey Presto's profits might be a better idea.

Christine would also like to make the business more environmentally friendly. She is considering replacing several diesel vehicles with electric vans, which are more expensive to buy, but are cheaper to run and are less polluting.

Source: photograph, Getty Images



2 (a) List **two** stakeholders of Hey Presto. **[2 marks]**

Stakeholder 1 _____

Stakeholder 2 _____

2 (b) Briefly explain **one** advantage and **one** disadvantage to Hey Presto of growing in size. **[4 marks]**

Advantage _____

Extra space _____

Disadvantage _____

Extra space _____

Question 2 continues on the next page.



2 (c) Explain a benefit to Hey Presto of choosing to replace diesel vans with more expensive electric vehicles.

[4 marks]

Extra space

2 (d) Christine is considering **two** ways in which Hey Presto might expand:

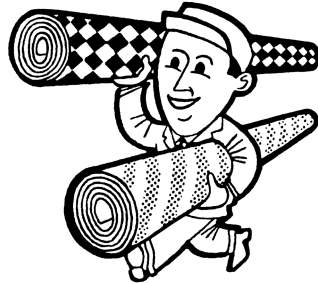
- continuing to buy new vans from the profits the business makes
- merging with its competitor, Fast Track Ltd.

Advise Hey Presto on which of these **two** methods of expanding the business would be more suitable for the business. Use **Item B** to support your answer.

[9 marks]



Total for this question: 22 marks

3 Read **Item C** and then answer the questions that follow.**Item C****Carpets2U**

Carpets2U plc is a nationwide carpet retailing business with stores in many UK cities. Unlike many other carpet retailers, Carpets2U carries a large amount of stock which reduces the time its customers have to wait for their carpets to be delivered to them. Sales have been falling during the recession and the business has developed a cash flow problem.

Customers come to Carpets2U because of the personal service they receive at the stores. Carpets2U's store assistants are currently paid a basic wage and a monthly bonus, depending on how many sales they make. Falling sales have meant the assistants' wages have gone down. The company directors are thinking of replacing this bonus system with a higher basic wage and using an annual appraisal interview as a way of motivating staff.

The company directors are also thinking about increasing the range of products that Carpets2U sells, such as offering tiles and wooden flooring. The directors are even considering starting to sell household furniture.

Figure 1: Extracts from Carpets2U's 2013 and 2014 Statements of Financial Position (Balance Sheets)

	2014 (£ million)	2013 (£ million)
Current assets		
Inventories (Stock)	21	14
Receivables (Debtors)	33	38
Bank and cash	3	4
Total current assets	57	56
Current liabilities		
Payables (Creditors)	48	31
Bank overdraft	12	9
Total current liabilities	60	40

$$\text{Acid Test ratio} = \frac{\text{Total current assets} - \text{Inventories (Stock)}}{\text{Total current liabilities}}$$

The Acid Test ratio for 2013 is 1.05.

Source: image, Getty Images



3 (a) What is a statement of financial position (balance sheet)? **[2 marks]**

Extra space _____

3 (b) (i) Calculate Carpets2U's acid test ratio for 2014. **[2 marks]**

Acid test ratio _____

Workings _____

3 (b) (ii) Explain how the change in Carpet2U's acid test ratio might affect the business. **[3 marks]**

Extra space _____



3 (c) Explain **two** advantages to Carpets2U of introducing staff appraisals.

[6 marks]

Advantage 1 _____

Extra space _____

Advantage 2 _____

Extra space _____



3 (d) Carpets2U is thinking of increasing the range of goods that are sold in its stores. Advise Carpets2U whether you believe that this is a good idea. Use **Item C** to support your answer.

[9 marks]

Extra space _____



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22

END OF QUESTIONS



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