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Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

GCSE BUSINESS STUDIES

Unit 2 Growing as a Business

Friday 10 June 2016

Afternoon

Time allowed: 1 hour

Materials

For this paper you may use:

- A calculator.

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 maximum mark for this paper is 60.
- The marks for each question are shown in brackets.
- 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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Answer **all** questions in the spaces provided.

Total marks for this question: 19 marks

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

Item A

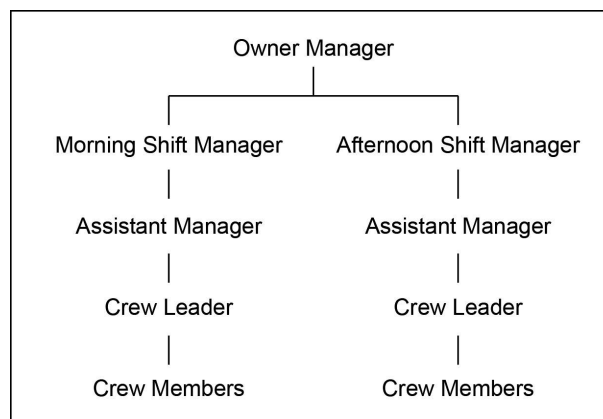
VeggieLands Ltd



VeggieLands Ltd is a chain of vegetarian restaurants based in London. The business is owned by four friends who operate VeggieLands Ltd ethically. For example, ingredients are locally sourced and staff wages are higher than other restaurants pay. VeggieLands Ltd has used organic growth to develop into a chain of six restaurants. The brand has become trusted and the number of customers continues to increase each year.

The business uses the same management structure in each of its restaurants. The owners, however, are thinking of introducing assistant managers who would be recruited from the current staff.

Figure 1 Proposed management structure



The owners want to expand the business even more and are considering franchising. They would allow other restaurants to use the VeggieLands' brand and name in return for a share of the franchisees' monthly profits.



1 (a) What is meant by organic growth of a business? [2 marks]

Extra space _____

1 (b) Explain **one** advantage and **one** disadvantage to VeggieLands Ltd of introducing assistant managers into the management structure. [4 marks]

Advantage _____

Extra space _____

Disadvantage _____

Extra space _____



1 (c) Explain **one** way in which VeggieLands Ltd benefits from operating as an ethical business.

[4 marks]

Extra space _____

1 (d) The owners of VeggieLands Ltd want to expand the business. They are considering two ways of doing this:

- continuing to open up new restaurants themselves
- franchising the VeggieLands' brand and name.

Which of these two methods of expansion do you believe would be better for VeggieLands Ltd? Support your answer by referring to **Item A**.

[9 marks]



Total marks for this question: 21 marks

2

Read **Item B** and then answer the questions that follow.

Item B

Orbital Cycles



Orbital Cycles Ltd was set up in 2014 and is a manufacturer of electric bikes. The bikes are made in batches of 20 by small groups of employees working together. The bikes are sold to retailers around the country who often buy just two or three at a time. The sales manager is considering using wholesalers to distribute the bikes.

Orbital Cycles' production manager has become worried about the number of minor faults found on its bikes by customers. He would like to make production of the bikes more efficient and plans to spend a large amount of money providing additional training for the employees. This training would be off-the-job and take place at a local college.

Other managers at Orbital Cycles are unhappy with spending so much on training. These managers would prefer to move to a system of flow production with each employee specialising in just one small part of the bikes' manufacture.



2 (a) Explain what is meant by division of labour. **[2 marks]**

Extra space _____

2 (b) Explain **one** advantage and **one** disadvantage to Orbital Cycles of using off-the-job training for its employees. **[4 marks]**

Advantage _____

Extra space _____

Disadvantage _____

Extra space _____



2 (c) Explain **two** advantages to Orbital Cycles of using wholesalers to distribute the bikes.

[6 marks]

Advantage 1 _____

Extra space _____

Advantage 2 _____

Extra space _____



2 (d) Orbital Cycles was set up two years ago as a manufacturer of electric bikes. There are **two** views on how Orbital Cycles' efficiency could be improved:

- start to make the bikes using flow production
- keep batch production, but increase the amount of training that employees receive.

Which of these two options do you believe would be better for Orbital Cycles? Support your answer by referring to **Item B**.

[9 marks]



Turn over ►

Extra space _____

21



Turn over for the next question.

**DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED**



Turn over ►

Total marks for this question: 20 marks

3

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

Item C

Tyro Dairy



Tyro Dairy plc is a large UK producer of a number of traditional English cheeses. The company is well known through its television advertising campaigns. Consumers are usually prepared to pay higher prices for the Tyro Dairy's brand name. Most of its market is in the UK with only a low percentage of its cheese sold to other EU countries. Tyro Dairy faces a great deal of competition in the UK both from British and EU cheese makers.

If the demand for one type of cheese falls because consumer tastes have changed, Tyro Dairy will use extension strategies to increase sales. Demand for its once popular smoked cheddar has been falling for over a year and the sales managers have been looking at ways to recover sales.

Figure 2 Extract from Tyro Dairy's income statement (profit and loss account) for years ending:

	31 December 2015 (£m)	31 December 2014 (£m)
Revenue (sales)	200	180
Cost of Sales	145	135
Gross profit	55	45
Expenses	31	18
Net Profit	24	27

$$\text{Gross profit margin for 2014} = \frac{\text{Gross profit}}{\text{Revenue}} \times 100 = 25\%$$



- 3 (a) The term 'Expenses' appears in **Figure 2**. Give **two** examples of Expenses that Tyro Dairy is likely to have. **[2 marks]**

Expense 1 _____

Expense 2 _____

- 3 (b) (i) Calculate Tyro Dairy's Gross profit margin for 2015. **[2 marks]**

Gross profit margin _____

Workings _____

- 3 (b) (ii) Explain **one** reason why Tyro Dairy's shareholders might be worried about the income statement for the year ending 31 December 2015 in **Figure 2**. **[3 marks]**

Extra space _____



3 (c) Explain **two** reasons why Tyro Dairy produces an income statement each year. **[4 marks]**

Reason 1 _____

Extra space _____

Reason 2 _____

Extra space _____

3 (d) The demand for Tyro Dairy's smoked cheddar cheese has fallen. Recommend the best extension strategy for the business to increase the demand for this cheese. Support your answer by referring to **Item C**, giving reasons for your choice. **[9 marks]**



There are no questions printed on this page.

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