

Mock Examination Paper (B)

GCSE BUSINESS STUDIES

A293/01 Production, Finance and the External Business Environment

Duration: 1 hour 30 minutes

Forename		Surname	
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INSTRUCTIONS

- Write your name in the boxes above. Please write clearly and in capital letters. (In the actual exam you will also be required to write your centre number and candidate number).
- 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. Additional paper may be used if necessary but you must clearly show your name and questions number(s). (In the actual exam you will be required to clearly show your candidate number, centre number and question numbers).
- Make sure that all your answers relate to the Case Study material on Bowton Mountain Festival.

INFORMATION

- 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 (*).
- A calculator may be used for this paper.

1 (a) (i) Use **three** of the terms below to complete each of the sentences that follow.

unethical ethical international trade environmentally friendly

An example of _____ is when a product (or service) is produced (or provided) in one country, and sold to customers in another country.

_____ businesses attempt to minimise the negative impact of their activities on the environment.

_____ producers will look after their workers and treat suppliers fairly. [3]

(ii) Explain **one** way in which the UK's membership of the EU may have benefited **BMF Ltd**.

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(b) Section 1 tells us about **Spirit of Adventure** - a shop in Bowton that sells a range of outdoor pursuits gear.

(i) Using information from the case study, identify **one** piece of evidence which suggests that, for at least 11 months of the year, Spirit of Adventure sells its outdoor pursuits gear in what might be classed as a monopoly market.

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..... [1]

(ii) Tick to indicate whether each of the following statements is true or false about a monopoly market.

Statement	True (✓)	False (✓)
There is little or no choice for consumers.		
Firms have to be efficient and keep their costs low in order to survive.		
Firms have considerable power over setting prices.		

[3]

- (c) In Section 2, Fig.1 it states that 'The UK economy has experienced economic growth in each of the past five years and average incomes have risen.'

Using **four** of the words below, complete the paragraph that follows.

luxuries necessities demand inflation revenues

A rise in UK average incomes may lead to increased _____ for tickets to the Bowton Mountain Festival (from UK-based festival goers) and, thus, increased annual _____ and profits for BMF Ltd – as people will have more disposable income to spend on _____, such as attendance at a festival. The extent of any increase will depend on how much incomes have risen by, particularly in relation to _____.

[4]

- (d) Lines 36-37 state that 'The Bowton economy has increased its output and unemployment has been reduced by a large increase in the number of zero-hours contracts'.

(i)* Assess the extent to which **Spirit of Adventure** might benefit from a reduction in unemployment in Bowton.

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- (ii) Explain **one** advantage of the use of zero-hours contracts for a business such as **Spirit of Adventure**.

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- (e) Lines 38-39 state that 'The exchange rate of the pound has fluctuated against the euro (€) and may affect some businesses and events such as the Bowton Mountain Festival'.

- (i) The price for the weekend pass in 2017 will be £60. If the exchange rate between the pound and the euro is £1 = 1.2 euros, calculate the cost of a weekend pass in euros.

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- (ii) * Assess the extent to which **BMF Ltd** may be affected by changes in exchange rates.

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2 (a) Section 3, lines 48-51 state that BMF Ltd was formed by a group of outdoor pursuits enthusiasts 20 years ago and that each invested £5,000 shares in the company. Although the value of the shares has grown since the business was founded, some of BMF Ltd's shareholders are 'not entirely pleased with the performance of the company'.

(i) Explain **one** disadvantage of selling shares to raise the finance required to start a business.

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(ii) State **two** ways, **other than** growth in the value of shares invested, by which the performance of a business such as BMF Ltd can be judged.

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(b) Section 5, lines 70-71 state that BMF Ltd's Festival T-shirts are sold through The Festival website before, during and after The Festival weekend, as well as at event venues during The Festival.

Assess the usefulness of a website to BMF Ltd in selling The Festival T-shirts. You should refer to the use and limitations or costs of websites / selling via internet technology in your answer.

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(c) Section 5 tells us that, in previous years, The Festival T-shirts that BMF Ltd sells were supplied by a company in China, but that BMF Ltd has decided to obtain quotes from a smaller, UK supplier.

(i) The Chinese supplier uses flow production to make standard T-shirts in very large quantities. Explain **one** advantage and **one** disadvantage to BMF Ltd's Chinese Supplier of using flow production.

Advantage.....
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Disadvantage
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[4]

(ii) To purchase 5,000 Festival T-shirts from the Chinese supplier it will cost BMF Ltd £25,000 (5,000 x £5). Using Fig. 4 of the Case Study calculate how much more it will cost BMF Ltd to purchase 5,000 Festival T-shirts from the smaller, UK supplier.

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[2]

(iii) Lines 85 to 87 state that some business analysts are suggesting that Chinese firms are becoming too big and, as a consequence, may start to suffer from diseconomies of large scale production.

Explain how the prices BMF Ltd pays for the Festival T-shirts may be affected if BMF Ltd continues to use the Chinese supplier, and this supplier starts to suffer from diseconomies of scale.

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[3]

- (iv) The smaller, UK supplier claims to have 'excellent quality control systems'. BMF Ltd has since found out that this includes a 'Total Quality Management' approach to quality control.

Complete the following sentences using **four** of the words below.

pride shareholders employees first continuous second

TQM is a business wide approach to quality that involves the development of a culture where all management and _____ care and take _____ in their work, are involved in _____ improvement and aim to 'do the right thing' and 'do it right _____ time'. **[4]**

- (d) * A UK newspaper has criticised the Chinese supplier over the treatment of its employees. These reports claimed wages paid were very low, and raised concerns over health and safety practices in its factories, as well as suggesting the supplier used too many non-renewable resources.

Discuss whether or not BMF Ltd should continue to use the Chinese supplier for the supply of The Festival T-shirts for 2017. In your answer, you should use the information in Section 5, other evidence from the case study and any other information you think is relevant.

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3 (a) Section 5, lines 93-95 state that, 'In previous years, BMF Ltd has financed the purchasing and selling costs of the T-shirts using an overdraft. This year it is considering asking its supplier for trade credit or taking out a bank loan'.

(i) The table below lists four statements about overdrafts. For each statement tick **one** box To show if it is an advantage or disadvantage of overdrafts.

Statement	Advantage	Disadvantage
Overdrafts are repayable on demand - they can be recalled at any time without notice.		
Overdrafts are flexible and convenient - once set up the business can draw or repay within the limit agreed, at any time, without further notice.		
Overdrafts are relatively cheap - interest is only charged on the outstanding bank balance at the end of each day.		
Overdrafts may be expensive if used for long periods of time - as interest is usually charged between 2-4% over the bank's base rate.		

[4]

(ii) Explain **one** advantage of trade credit over bank loans.

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(b) Fig. 6 of the case study is a cash flow forecast for the sale of T-shirts related to the 2017 Festival.

(i) Using the information in Fig. 6, calculate the total income BMF Ltd expects to receive from the sale of T-shirts during the 4 month period shown.

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(ii) Using the information in Fig. 6, calculate the total expenditure related to the sales of The Festival T-shirts during the 4 month period shown.

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(iii) Using your answers to i) and ii) above, calculate the net profit BMF Ltd is likely to generate from the sales of The 2017 Festival T-shirts, based on the figures for income and expenditure provided in the Cash Flow forecast (Fig. 6).

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(iv) Explain **one** advantage and **one** disadvantage to BMF Ltd of producing a cash flow forecast.

Advantage.....
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Disadvantage

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[4]

(c) Section 6, lines 112-116 state that several of the twenty-two specialist retailers of outdoor pursuits products that rent stalls on The Festival field to sell their products are '*large national chains*', and are able to sell their products at lower prices than **Spirit of Adventure**.

Explain **one** reason why national chain retailers are able to sell at lower prices than Spirit of Adventure.

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