

Mock Examination Paper

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 (BMF) Ltd.

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.

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- 1 (a) (i) Tick **two** statements in the table below which show that BMF Ltd operates in a global market.

Statement	Tick (✓)
In 2016, 20% of people who attended The Bowton Mountain Festival came from other European countries.	
The UK economy has experienced economic growth in each of the past five years and average incomes have risen.	
BMF Ltd's Festival T-shirts have been made by a Chinese supplier.	
Businesses and consumers may suffer from a rise in UK interest rates.	

[2]

- (ii) Lines 12-13 of the case study state that 'The number of visitors from some European Union (EU) countries is influenced to an extent by changes in the exchange rate of pound sterling (£) against the euro (€)'.

The table below shows how the price of one weekend ticket sold to people in the Eurozone would be converted into euros at the exchange rate of £1 = 1.3 euros (€)

Price of one weekend ticket in £s	Price of one weekend ticket at a rate of £1 = 1.3 euros
£60	£60 x <u>1.3 euros</u> Price in euros 78

Using the table below, calculate the new price of one weekend ticket bought from BMF Ltd in euros if the exchange rate became £1 = 1.1 euros.

Price of one weekend ticket in £s	Price of one weekend ticket at a rate of £1 = 1.1 euros
£60	New price in euros

[2]

- (b) Section 1, lines 16 to 18 state that 'the theme of The Festival this year is 'Enjoying but protecting the environment and its people', and that 'The protection of the environment is one of the core values of BMF Ltd and it has taken every opportunity in previous festivals to highlight the importance of this'.

Explain **one** advantage to BMF Ltd of having and promoting the protection of the environment as one of its core values.

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..... [2]

4

(d) Section 3, lines 52 to 54 state 'Following a passionate debate about how the Festival would help the town, and about the costs of running The Festival, such as policing, Bowton Council decided to give a grant of £30,000 to BMF Ltd towards the costs of The Festival in 2017'.

(i) Explain **one** way in which The Festival would help the town.

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..... [2]

(ii) Identify **two** external costs that might arise from The Festival.

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..... [2]

(iii) Explain **one** advantage to BMF Ltd of having a grant from Bowton Council towards the costs of The Festival.

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6

- 2 (a) Section 4, Fig. 2 of the Case Study provides us with a breakdown of the costs to BMF Ltd of the Bowton Mountain Festival.

Calculate what the actual Film costs were in 2016, and what the Film costs are expected to be in 2017.

Actual Film costs 2016.....

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Expected Film costs 2017.....

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..... [4]

- (b) Section 5 of the case study tells us that BMF Ltd’s Chinese supplier uses flow production to make standard T-shirts in very large quantities and that some of these T-shirts are then printed with The Festival design, using batch production.

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

Statement	Advantage (✓)	Disadvantage (✓)
It can be expensive to set up - due to the specialist equipment / machinery often required.		
Labour costs are low as processes are often automated.		
Large quantities are produced and so there is maximum opportunity for economies of scale.		
A production line may be difficult to adapt once set up to produce a particular product.		

[4]

- (ii) Explain **one** reason why the Chinese supplier uses batch production to print BMF Ltd’s Festival T-shirts.

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..... [2]

- (c) Section 5, lines 88 to 90 tell us that BMF Ltd has decided to obtain quotes for T-shirts from a smaller, UK supplier. The UK supplier claims to have 'excellent quality control systems and a good record for delivering orders on time'.

(i) Complete the following sentence using **three** of the words below.

rejects making testing returns

Quality control is the process of inspecting and _____ products in order to reduce the number of _____ in the production process and _____ from customers. **[3]**

(ii) Explain **one** method of quality control that this smaller, UK supplier might use.

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..... **[2]**

- (d) In Section 5, 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 as opposed to economies of large scale production'.

(i) Complete the following sentence using **two** of the words below.

rise total average fall

Diseconomies of large scale production are factors that cause the _____ cost of producing a product to _____ as a business increases its output. **[2]**

(ii) Explain **one** type of diseconomy of scale that Chinese firms might suffer from as a result of 'becoming too big'.

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..... **[3]**

8

- (e)* Discuss whether or not BMF Ltd should use the smaller, UK supplier for the supply of Festival T-shirts in 2017, instead of its Chinese supplier. 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) Fig. 6 of the case study is a cash flow forecast for the sale of T-shirts related to the 2017 Festival.

(i) Use the information in Fig. 6 to identify how much finance BMF Ltd will need to fund the expected cash shortfall in July.

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(ii) Assess the usefulness of cash flow forecasts to businesses such as BMF Ltd.

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- (c) Section 6 tells us that there will be many similar businesses selling their goods and services to festival visitors on The Festival Field. This includes five food stalls, six bars, twenty-two specialist retailers of outdoor pursuits products and seven adventure holiday firms.

Explain **one** way in which competition between businesses may affect each of the following:

- (i) consumer choice:

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..... [2]

- (ii) prices charged:

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..... [2]

- (iii) profits:

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- (d) Section 6, lines 117-118 state that Spirit of Adventure buys in additional stock to sell during The Festival weekend.

Identify and explain **one** cost to Spirit of Adventure of carrying a higher level of stock.

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