

Bowton Mountain Festival 2017

Mock exam – Answers (based on previous past papers)

Question	Answer	Mark	Guidance										
A	<table border="1"> <thead> <tr> <th>Method of Production</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>Job Production</td> <td>Each item is made individually.</td> </tr> <tr> <td></td> <td>A small team of workers organise themselves to make the entire product.</td> </tr> <tr> <td>Batch Production</td> <td>One type of a product is made the production is switched to making a different type of product.</td> </tr> <tr> <td>Flow Production</td> <td>Goods are mass produced, often on an assembly line.</td> </tr> </tbody> </table>	Method of Production	Description	Job Production	Each item is made individually.		A small team of workers organise themselves to make the entire product.	Batch Production	One type of a product is made the production is switched to making a different type of product.	Flow Production	Goods are mass produced, often on an assembly line.	3	One mark for each correct answer.
Method of Production	Description												
Job Production	Each item is made individually.												
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B (I)	(i) Council Expenditure cuts The council normally offers a grant to the BMF Ltd for The Festival, but with expenditure cuts this may mean the council will cut the grant or even stop it altogether. This could mean that BMF will have to find more money to put on the Festival. This will increase their total costs and thus reduce their profits.	4	Max 4 marks
B (II)	(ii) Increase in average income: Customers will have more disposable income so demand for festival tickets may increase, customers may buy more than one ticket (take a friend) and demand for goods on the stalls at the festival may also increase.	4	Max 4 marks

C	<p>Rise in interest rates may mean; Increased cost of borrowing which means that credit cards and loan payments become more expensive. This may mean that visitors have less disposable income and so demand for tickets from UK customers may drop. This may be a problem as 80% of customers are from the UK.</p> <p>This may also mean an increase in mortgage payments but this may not be a problem as 60% of their customers are under 30 which might suggest the majority of those do not have a mortgage.</p> <p>Festival goers may be more likely to save rather than spend their money so may decide not to visit the festival, but 70% had above average incomes so they may not be affected by the interest rates rise and may decide to still buy tickets.</p> <p>This could also lead to higher interest rate costs for BMF Ltd too, if they have interest payments on loans.</p> <p>If there is less demand for tickets, then there may be less employment at the festival which will have an impact on the welfare payments and costs to the council.</p>	8	<p>Level 3 (7-8 marks) Evaluation must be present for example: The amount of impact of interest rates rising on BMF Ltd will depend on the extent of the rise and if the visitors are in a high enough income bracket to not feel the additional cost of extra mortgage payments and loan payments.</p> <p>Level 2 (3-6 marks) Analysis for example: The profits of BMF Ltd will fall as costs rise.</p> <p>Level 1 (0-2) Basic knowledge – for example: sales or demand for tickets will fall</p> <p>A big rise in the interest rate will reduce the sales of tickets a lot (L3) because it will raise the cost of borrowing for consumers, so lowering their discretionary (disposable) income (L2).</p>
D	<p>If there are 22 outdoor pursuits companies at The Festival, then Spirit of Adventure may not have the sales that they normally enjoy as the only supplier.</p> <p>This means that Spirit of Adventure will have to either lower their prices to attract customers away from the competitors stalls or compete on non-price factors such as customer service, range of products or some other factor.</p>	2	One mark for the main idea and second mark for the development.

E	<p>If the pound increases against the Euro this will mean that The Festival will be more expensive for EU visitors, this will discourage them from coming and BMF Ltd may have lower sales, lower revenue and lower profits</p> <p>If the pound decreases against the Euro this will mean that The Festival will be cheaper for EU visitors, this will mean BMF may have higher sales, higher revenue and higher profit and Bowton may have more customers for all the new accommodation in the town.</p>	3	One mark for identifying what will happen if the pound gets stringer, one for identifying what will happen if pound gets weaker and one mark for development on either point.
F	A business is said to experience diseconomies of scale when the average cost of producing a product increases as the scale of production increases [2]	2	On mark for each correct answer
G	<p>Chinese suppliers may be using too many non-renewable resources to make the t-shirts - page 4 line 80 – this is against the core values of BMF Ltd page 2 line 17</p> <p>Wages in China are low according to the newspaper article in section 5, if they are below the living wage and BMF Ltd knew, then ethically it would be wrong for them to make a large profit while only paying workers a very small amount.</p>	4	<p>One mark for each point identified and one mark for development on each.</p> <p>Students may also say – poor health and safety records in the Chinese factories – endangering the lives of the Chinese workers</p>
H	<p>Gross profit = total revenue – cost of sales</p> <p>Using the information in Fig 5 calculate the gross profit which BMF Ltd will earn if they buy and sell 5,000 t-shirts. Show your working</p> <p>TR = £49,000 (Taken from Fig 6 page 5) from the cash flow it tells us how much is made from the sale of T-shirts (£6,000 + £14,000 + £28,000 + £1,000)</p> <p>COS = £5 x 5,000 t-shirts = £25,000</p> <p>TR – COS</p> <p>£49,000 - £25,000 = £24,000</p>	2	<p>2 marks if they just put £24,000</p> <p>Or</p> <p>Award 1 mark for either calculation of TR or COS if the end result is wrong</p>

I (I)	Admin 54%	1	
I (II)	25% of £280,000 = £70,000 27% of £350,000 = £94,500 Between 2016 and 2017 the value of the speaker expenses has increased from £70,000 to £94,500 an increase of £24,500	2	2 for completely right 1 for a near miss, most of it was right
J	Social costs <ul style="list-style-type: none"> • Traffic congestion / pollution • Litter / rubbish • Anti-social behaviour in the town Social benefits <ul style="list-style-type: none"> • Jobs for locals • Multiplier effect on tourism with increased demand for hotels • Raises income of locals 	6	(1-2 marks) Level 1 – basic statements, no analysis or evaluation (3-4 marks) Level 2 - analysis of the two sides but no judgement (must have context about The Festival) (5-6 marks) Level 3 – context analysis and a judgment (either decision is fine)
K	True False True True	4	One mark per correct answer
L	Why will local govt – council give grant? <ul style="list-style-type: none"> • Help to create jobs in the local area • Bring more people to the town to increase the tourism • Support the core value of protecting the environment and use it as an opportunity to communicate with walkers, canoeists, fell runners, mountain bikers and others that use the local area about protecting the environment • Support an event that encourages the general public to try new sports and get fit 	3	2 for identification and one for development. Students only need to develop one idea. If three ideas given (this is not explain which is the command word in the question) cap at 1 mark
M (I)	June	1	
M (ii)	September	1	
M (iii)	(-£25,900)	1	Must be a minus, award full marks if in brackets or a minus is showing, if it's a positive figure it gets no marks

N	<p>Trade credit</p> <ul style="list-style-type: none"> • Only need three months trade credit then they could pay back supplier (from cash flow forecast in section 5) • New UK supplier may agree to this in order to secure the BMF Ltd T-shirt contract • No interest to pay on the credit <p>Bank Loan</p> <p>Quick and easy to set up</p> <p>Interest must be paid on the loan</p> <p>May be able to pay back over a longer period than 3 months – spread cost over a year</p> <p>Conclusion</p> <p>Use trade credit, only need it for a short time, bank loan is better for large capital investment items like machinery which the business might want to pay for over a longer period.</p>	6	<p>(1-2 marks) Level 1 – basic statements, no analysis or evaluation</p> <p>(3-4 marks) Level 2 - analysis of the two types of finance but no judgement (must have context about The Festival)</p> <p>(5-6 marks) Level 3 – context analysis and a judgment (either decision is fine) – trade credit would be better but if they make a good argument for bank loan award it</p>
O	<p>Increased sales revenue</p> <ul style="list-style-type: none"> • Sales offers to locals • Discounts if staying in local hotels • Adverts • Increase the prices – given that (line 15 page 2) 70% of customers have above average incomes <p>Reduced costs</p> <ul style="list-style-type: none"> • Reduce staff costs by employing volunteers and give them festival tickets instead of payment – for litter picking and general site staff • Reduce expenses on stock and carry on using the Chinese supplier (which is cheaper than new UK one they looked at) 	7	<p>(1-2 marks) Level 1 – basic statements, no analysis or evaluation</p> <p>(3-4 marks) Level 2 - analysis of increasing sales revenue and reducing costs but no judgement (must have context about The Festival)</p> <p>(5-7 marks) Level 3 – context analysis and a judgment (either decision is fine) must say why they think it will be more successful than the other option</p>

P	<ul style="list-style-type: none"> • Data may not be accurate (could be typed in wrong or out of date) • Only given 4 months of data, need whole year to see complete picture • Only predictions, process may change, quantity old may change 	3	One mark per correct answer – award any other appropriate answer
Q	<p>Order from Chinese supplier</p> <ul style="list-style-type: none"> • Lower cost than UK supplier which will mean higher profits and happier shareholders • Very reliable (line 85, page 4) • Previously no problems <p>BUT Reports of poor treatment of employees and non-renewable resources (which may or may not be true)</p> <p>Order from UK supplier</p> <ul style="list-style-type: none"> • Excellent QC systems (line 89, Page 4) • Good record for delivering on time • Supporting UK business • May have a shorter lead time as don't have to wait to import from China • Reduced carbon footprint as not importing from China (support core values of the business) • May give trade credit in return for contract which will solve cash flow problems <p>BUT No track record – so unknown if they will be reliable, risky More expensive than China, reduced profits, unhappy shareholders</p>	8	<p>Don't award for language or culture – ideas must be kept to the case study AND about changing suppliers from the information we have been given</p> <p>(1-2 marks) Level 1 – basic statements, no analysis or evaluation</p> <p>(3-5 marks) Level 2 - analysis the pros and cons of the two suppliers but no judgement (must have context about The Festival)</p> <p>(6-8 marks) Level 3 – context analysis and a judgment (either decision is fine) must say why they think one will be better than the other.</p>

R	The number of visitors from the EU is influenced by changes in the exchange rate of the pound sterling (£) against the Euro If the value of the pound rises this will make the festival expensive to EU visitors and so will decrease demand for tickets in 2017.	3	1 mark per correct answer
S	Bowton Festival increases demand for rooms in the area as some people may visit during the festival and want to come back again at another time in the year when they see how beautiful the town is. (Line 5 page 2) Especially those who like to walk, cycle, run and canoe. Some may also wish to visit the festival during the day and not camp at the site.	3	Two for identification and one for development. If three ideas given (this is not explain which is the command word in the question) cap at 1 mark
T	<ul style="list-style-type: none"> • BMF Ltd could run buses and coaches to The Festival to reduce the amount of traffic in the local area. They could also offer park and ride system. This will cut down on congestion in the town. • They could reduce CO2 usage by banning the use of fossil fuels at the Festival – no charcoal BBQs – they could encourage festival goers to use more sustainable products by encouraging those types of businesses to demonstrate and sell at the Festival • They could have recycle bins around the site • They could have litter pickers who would be paid in festival tickets to help keep the site clean • The T-shirts that they sell every year could carry a message such as renew recycle reuse • BMF could have compost toilets • BMF could create a website which gives visitors green instructions before they come to the festival. 	9	<p>(1-2 marks) Level 1 – basic statements, no analysis or evaluation</p> <p>(3-5 marks) Level 2 - analysis of ways The Festival could help the environment (must have context about The Festival)</p> <p>(6-9 marks) Level 3 – context analysis and a judgment which idea would be the most beneficial to the environment. Only award 9 marks to the really exceptional answers.</p>