

## Bowton Mountain Festival 2017

**Mock exam**



**BMF Ltd**

**Name** \_\_\_\_\_

**Class** \_\_\_\_\_

**Date** \_\_\_\_\_

### **Instructions:**

**There are a total of 90 marks for this paper. You have 1 hour and 30 minutes to complete the whole paper. You should answer every question. Make sure you relate all your answers to Bowton Mountain Festival 2017. There is also 5 marks available for (QWC) quality of written communication, which is included in the 90 marks for the total exam.**

### **Marks**

<b>Total</b>	<b>/ 90</b>
<b>%</b>	
<b>Grade</b>	

### **Grade boundaries**

<b>A*</b>	<b>80%+</b>
<b>A</b>	<b>70%+</b>
<b>B</b>	<b>60%+</b>
<b>C</b>	<b>50%+</b>
<b>D</b>	<b>40%+</b>
<b>E</b>	<b>30%+</b>
<b>U</b>	<b>0-29%</b>

**You should have a clean copy of the case study with this exam paper to help you answer the questions.**

**A)** Draw a line from each method of production to its description

Method of production

Description

Job production

Each item is made individually

Batch production

A small team of workers organise themselves to make the entire product

Flow production

One type of product is made and then production is switched to making a different type of product

Goods are mass-produced often on an assembly line

[3]

**B)** Discuss one way each of the following changes may affect the Bowton Mountain Festival;

(i) Cuts in the Bowton Council expenditure

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[4]

(ii) An increase in average incomes of the people living in the UK

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[4]

C) In Section 2 the review of the Bowton economy and its prospects there is an extract from the development report from the Economic Development Unit which states that “Our local economist forecasts that interest rates in the UK will rise” (page 2 line 44)

Assess the extent to which BMF Ltd may be affected by a rise in interest rates.

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[8]

D) Spirit of Adventure the independent outdoor pursuits company is in an increasingly competitive market with twenty two specialist retailers selling at the Bowton Mountain Festival

Identify and explain one way in which competition between businesses, which sell outdoor pursuit gear, may affect the profits of Sprit of Adventure. [2]

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E) Identify and explain one way in which the change in exchange rate of the Euro to the Pound £ in the next 12 months may affect the visitor numbers to the Bowton Mountain Festival.

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[3]

F) Complete the following sentence using any of the choices below;

**Increases**

**decreases**

**stays the same**

A business is said to experience diseconomies of scale when the average cost of producing a product \_\_\_\_\_ as the scale of production \_\_\_\_\_ [2]

G) Using section 5 of the Case Study and your own knowledge:

Explain two possible ethical issues, which may result from the production of t-shirts for The Festival in China

1 \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2 \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ [4]

H) Gross profit can be calculated by using the following formula:

$$\text{Gross profit} = \text{total revenue} - \text{cost of sales}$$

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

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ [2]

I) Using the information in Section 4 – festival costs, Fig 2:

(i) State the largest expected cost in 2017

\_\_\_\_\_ [1]

(ii) What happened to the value (£) of speaker expenses and fees between 2016 and 2017? Show your working

\_\_\_\_\_ [2]

J) Section 1 of the Case Study states “Last year there was criticism in the town about the number of people who were drink and badly behaved on the streets after the nightly parties.” (Lines 9-10)

Are the social benefits of the Bowton Mountain Festival likely to be greater than the social costs?  
Give reasons for your answer.

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[6]

- K) Section 1 states that “The theme of the festival this year is ‘enjoying but protecting the environment and its people’. The protection of the environment is one of the core values of BMF Ltd...”

Use a tick (✓) to show whether each of the following statements is true or false.

Statement	True	False
People benefit from the environment because it provides natural resources which are used to produce goods and services		
There is no problem with the use of fossil fuels such as oil and coal because there is an unlimited supply of them		
The CO <sub>2</sub> emissions caused by motor cars are an example of pollution of the environment		
One way of making production more sustainable is to develop the use of alternative technology such as biofuels		

[4]

- L) Section 3, Paragraph 2 of the case study states that Bowton council have decided to give a grant of £30,000 to BMF Ltd towards the cost of the The Festival in 2017.

Explain why the government might be willing to give a grant to BMF Ltd towards the cost of running The Festival 2017.

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[3]



**M)** Fig 6 shows a cash flow forecast for the sale of t-shirts related to the 2017 festival

(i) In which month is BMF Ltd forecast to spend the most on stock?

[1] \_\_\_\_\_

(ii) In which month is BMF Ltd forecast to have the smallest total expenditure?

[1] \_\_\_\_\_

(iii) If the UK supplier was used instead of the Chinese supplier and 5000 t-shirts, were purchased what would the closing balance of June be?

[1] \_\_\_\_\_

**N)** Section 5, paragraph 5, lines 93-95 states, "In previous years, BMF Ltd has financed the purchasing and selling costs of the t-shirts using an overdraft. This year it is considering either asking its supplier for trade credit or taking out a bank loan". Evaluate which you think would be the best method of finance for BMF Ltd to use to buy the t-shirts.

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[6]



P) State **three** limitations to a business such as BMF Ltd of using cash flow forecasting when making business decisions

- 1 \_\_\_\_\_
- 2 \_\_\_\_\_
- 3 \_\_\_\_\_ [3]

Q) In Section 5 it states that BMF has seen a report criticising their Chinese supplier. BMF Ltd have also decided to get quotes for t-shirts from a UK supplier. The business is considering the following courses of action:

- Order the t-shirts for the 2017 festival from the Chinese supplier
- Switch to order the t-shirts from the new UK supplier

Discuss which course of action BMF Ltd should use. You should refer to both courses of action in your answer

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[8]

R) Section 1 states that 20% of the visitors to the 2016 mountain festival came from the EU.

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

**Euro    Dollar            expensive    cheaper            increase    decrease**

The number of visitors from the EU is influenced by changes in the exchange rate of the pound sterling (£) against the \_\_\_\_\_. If the value of the pound rises this will make the festival \_\_\_\_\_ to EU visitors and so will \_\_\_\_\_ demand for tickets in 2017.

[3]

S) Section 2 states that “an increase in the number of hotels in Bowton has reduced accommodation prices and helped to increase tourism in the area”.

Explain how the Bowton Festival 2017 may have an impact on tourism in the area.

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[3]

