Modified Enlarged 18pt

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Monday 13 June 2022 – Afternoon

GCSE (9–1) Business

J204/02 Business 2: operations, finance and influences on business

Time allowed: 1 hour 30 minutes
plus your additional time allowance

YOU CAN USE:
a calculator

Please write clearly in black ink.

Centre number | | | | | |

Candidate number | | | | |

First name(s) _____

Last name _____

READ INSTRUCTIONS OVERLEAF

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INSTRUCTIONS

Use black ink.

Write your answer to each question in the space provided. You can use extra paper if you need to, but you must clearly show your candidate number, the centre number and the question numbers.

Answer ALL the questions.

INFORMATION

The total mark for this paper is 80.

The marks for each question are shown in brackets [ ].

Quality of extended response will be assessed in questions marked with an asterisk (*).

ADVICE

Read each question carefully before you start your answer.

SECTION A

Answer ALL the questions.

1 A customer has bought a laptop from a computer shop.

By law, the computer shop must:

A match the price charged by a local competitor

B offer to upgrade the laptop for no extra charge

C provide virus protection to keep the customer's files safe

D supply a laptop of satisfactory quality

Your answer ☐ **[1]**

2 Customer engagement:

A allows customers to try before they buy

B contributes to good customer service

C improves the product knowledge of employees

D shortens the supply chain

Your answer ☐ **[1]**

3 Performance data for Pallin Ltd for the last five years of trading is shown below.

	2017	2018	2019	2020	2021
Profit	£15 000	£0	–£9000	£17 000	–£3000

Pallin Ltd's average level of profit over the last five years is:

A £4000 per year

B £5000 per year

C £6400 per year

D £8000 per year

Your answer ☐ [1]

4 A perfume shop has a gross profit margin of 50%.

This means:

A for every £10 of sales, it makes £5 profit after all costs have been paid

B the perfume shop's variable costs are exactly half of its fixed costs

C the shop charges customers double what it pays when buying the perfume

D to make £10 of profit, it needs to sell £50 of perfume

Your answer ☐ [1]

5 **QT Homeware Ltd manufactures small kitchen appliances. The company has recently received a number of emails complaining that its kettles leak.**

Which of the following actions would help QT Homeware Ltd deal with this problem?

A **Include a cloth to wipe up any leaks in the box of all new kettles**

B **Launch a promotional campaign in a housekeeping magazine**

C **Meet with production workers to discuss how to reduce costs**

D **Physically test every hundredth kettle to ensure it is watertight**

Your answer ☐ **[1]**

6 A drum kit manufacturer plans to make 500 drum kits this year. Estimated costs are as follows:

raw materials £40 per drum kit
rent £600 per month
heating and lighting £900 per quarter
other expenses £56 000 per annum

The manufacturer's estimated total cost for the year is:

A £66 840

B £77 500

C £85 900

D £86 800

Your answer ☐ [1]

7 Which of the following is NOT a disadvantage of automation? [1]

A Expensive to buy, so will need to find a way of raising finance

B Machines can break down, disrupting production

C Operatives may need additional training, increasing business costs

D The machinery can be reprogrammed, making production more flexible

Your answer ☐

8 An extract from Marble & Sons cash flow forecast for September is shown below.

	September
Net cash flow	–£2600
Opening balance	
Closing balance	–£7300

Marble & Sons' opening balance for September is expected to be:

A –£9900

B –£4700

C £4700

D £9900

Your answer ☐ **[1]**

9 Which one of the following is the MOST likely reason for a greeting card manufacturer to locate its factory on an out-of-town industrial estate? [1]

A Council incentives offering reduced business rates

B Greeting cards are destroyed if they get wet during transportation

C Lots of people who work on the industrial estate will buy cards

D The need to be close to the market because customers are unwilling to travel

Your answer ☐

10 Which of the following would be a variable cost for a restaurant? [1]

A Advertising fees

B Buildings insurance

C Chef's salary

D Fruit and vegetables

Your answer ☐

11 **Amaya is a gardener. She charges £15 per hour. Her fixed costs are £18 000 per annum. Her variable costs are £2 per hour.**

How many hours of gardening will Amaya need to do to start to make a profit? [1]

A **1059**

B **1385**

C **2340**

D **3060**

Your answer ☐

12 **Which of the following is a benefit to a public limited company of using a share issue to raise finance? [1]**

A **Dividends will need to be paid**

B **New skills will be brought into the company**

C **No interest will be paid**

D **Repayments will be spread over a long period of time**

Your answer ☐

13 The impact of risk taken by a business:

A affects all business functions

B affects all business stakeholders equally

C only affects the finance function

D only affects the owners of the business

Your answer ☐ **[1]**

14 The marketing function of a well-known action toy manufacturer is about to launch a major advertising campaign.

This advertising campaign will affect the operations function of the business because:

A job production will need to be used to speed up production

B market research into which toy figures are most popular will be required

C more sets of action toy figures will need to be produced

D vacancies for action toy designers will need to be advertised

Your answer ☐ **[1]**

15 Kareem is an entrepreneur. He makes hand-made shoes for newborn babies. Data for his first four years of trading is shown below.

	Year 1	Year 2	Year 3	Year 4
Number of pairs sold	104	1040	820	1860
Revenue	£2080	£20 800	£16 400	£46 500
Profit	–£24 000	£2000	–£1800	£26 000

According to the data, which of the following is true? [1]

A Costs have been greater than revenue in all four years

B In Year 2, Kareem reduced the average selling price of the shoes

C In Year 4, Kareem increased the average selling price of the shoes

D Revenue has increased year on year

Your answer ☐

SECTION B

Answer ALL the questions.

16

TEXT 1

BP plc

(c) BP, 'BP's mission', www.bp.com. Text begins with 'BP is a UK energy company' and ends with 'in America in partnership with an American company'. Item removed due to third party copyright restrictions.

(a) Identify TWO possible advantages to a business of being environmentally friendly.

1 _____

2 _____

[2]

(b) Explain ONE way climate change might affect business activity.

_____

_____

_____

_____ [2]

(c) Analyse how BP's finance function may influence its ability to meet BP's objectives.

_____

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_____ [3]

(d) (i) Calculate the percentage change in BP's revenue between 2017 and 2019. [2]

Show your workings

Answer _____ **%**

(ii) Identify TWO factors that can affect a company's revenue.

1 _____

_____

2 _____

_____

[2]

(e) (i) Identify TWO reasons why a UK business might choose to locate in another country.

1 _____

_____

2 _____

_____

[2]

(ii) **Evaluate how globalisation has influenced where BP locates its businesses. [7]**

TEXT 2

Quality Textiles (QT)

Quality Textiles Ltd (QT) is a medium-sized, established business that manufactures clothes from its factory in Birmingham. Its clothes are sold to retail shops around the country. A summary of its profitability is shown in TABLE 1.

TABLE 1

	This year	Last year	Two years ago
Gross Profit Margin	65%	60%	57%
Net Profit Margin	27%	25%	23%

QT wants to expand the business by using a bank loan to buy a large van to help with deliveries. It will use average rate of return (ARR) to assess which model of van it will buy. Further information is provided in TABLE 2, below. The new van will mean employing a driver, in addition to the five drivers already working for the business.

TABLE 2

	Standard Van	Superior Van
Price	£40 000	£50 000
Total net profit for the life of the van	£60 000	£70 000
Estimated life	3 years	4 years
ARR	?	35%

QT's cash flow forecast suggests it may struggle to pay the monthly van loan repayment. QT's closing bank balance for the last five months is shown in FIG. 1.

FIG. 1

QT had problems earlier in the year. It found its way into the local newspaper as part of an investigation into ethical practices in its business activities and supply chain.

(a) Identify ONE method of selling products to customers.

_____ [1]

(b) (i) Identify TWO ethical considerations for a business.

1 _____

2 _____

[2]

(ii) Explain ONE reason why a business should act ethically.

_____

_____

_____

_____ [2]

(c) (i) Calculate the average rate of return (ARR) for the Standard Van by using the information in TABLE 2. [3]

Show your workings

Answer _____ **%**

(ii) **Analyse ONE reason why QT should buy the Standard Van. Refer to TABLE 2 in your answer.**

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_____ **[3]**

(d) (i) **Analyse QT's cash position considering its current expansion plans.**

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_____ **[3]**

(ii) **Analyse QT's profit position considering its current expansion plans.**

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_____ **[3]**

(iii) **Recommend whether QT's cash position or profit position will have the biggest impact on its expansion plans.**

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_____ **[3]**

TEXT 3

Barratt Developments plc

(c) Barratts Homes, www.barrattshomes.co.uk. Text begins with 'Barratts Developements PLC (BD plc) is the UK's largest house builder. Item removed due to third party copyright restrictions.

(a) **Identify ONE economic factor which may affect a company's profit.**

_____

_____ **[1]**

(b) **Analyse the importance of quality in the production of the houses that BD plc produces.**

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_____

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_____

_____ **[3]**

(c) **Analyse ONE advantage to BD plc of obtaining 90% of its raw materials from the UK.**

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_____ **[3]**

(d) (i) **Analyse ONE advantage and ONE disadvantage to BD plc of producing components in batches at its factory.**

Advantage: _____

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Disadvantage: _____

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[6]

(ii) **Recommend whether BD plc should continue to produce components in batches at its factory.**

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_____ **[3]**

(e)* Evaluate how useful break-even analysis is to BD plc's pricing and promotional decisions. [9]

END OF QUESTION PAPER

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