

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
GCSE

A293/01

BUSINESS STUDIES

**Production, Finance and the External
Business Environment**

MONDAY 2 JUNE 2014: Morning

**DURATION: 1 hour 30 minutes
plus your additional time allowance**

MODIFIED ENLARGED

Candidate forename		Candidate surname	
-------------------------------	--	------------------------------	--

Centre number						Candidate number				
--------------------------	--	--	--	--	--	-----------------------------	--	--	--	--

Candidates answer on the Question Paper.

OCR SUPPLIED MATERIALS:

Clean copy Case Study

OTHER MATERIALS REQUIRED:

Calculators may be used

A CALCULATOR MAY BE USED FOR THIS PAPER
--

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

Write your name, centre number and candidate number in the boxes on the first page. Please write clearly and in capital letters.

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 candidate number, centre number and question number(s).

Make sure that all your answers relate to the pre-released Case Study material.

INFORMATION FOR CANDIDATES

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 (*).

Any blank pages are indicated.

BLANK PAGE

Answer ALL the questions.

- 1 (a) Lines 4–5 of the case study state that in 2011 Chloe Seaton “had to close the restaurant because of poor cash flow”. Complete the following paragraph using FOUR of the words below.**

OVERDRAFT

EXPENSES

REVENUE

BANKRUPT

INTEREST

A cash flow statement shows money that a business gets from sales and also the money it pays out for _____. If a business does not have enough money to pay its bills, it can arrange for an _____, which is a facility a bank offers to allow a business to spend more money than it has in its account. However, the bank will charge the business _____ for using this facility. In the

long run if a business cannot pay its bills, it may become _____ or insolvent and go out of business.

[4]

- (b) Section 1 of the case study states a number of factors which affected the restaurant business that Chloe ran.

Tick (✓) to indicate whether each of the following statements is true or false about the factors which affected Chloe's restaurant.

Statement		True	False
A	Weak consumer confidence led to a fall in the number of customers visiting Chloe's restaurant.		
B	The increase in VAT by 2.5% to 20% in January 2011 increased the profit the restaurant made.		
C	The rise in world food prices meant that the costs of running Chloe's restaurant increased.		
D	The fall in Bowton's population reduced the number of potential customers for Chloe's restaurant.		

[4]

(c*) When the BSB factory was first set up, Chloe and Ade “had considered leasing a factory but decided to take out a mortgage and buy a factory instead” (lines 27–29 of the case study).

Discuss whether or not they made the right decision to take out a mortgage to buy the factory instead of leasing it. In your answer you must compare the advantages and disadvantages of buying using a mortgage, and of leasing. [10]

[illegible]

- (d) (i) Fig. 3 in the case study shows the total revenue from the sales of different spice blends that BSB made in 2012 and in 2013.

State the name of the spice blend from which BSB earned LEAST sales revenue in 2012.

_____ [1]

- (ii) Calculate what happened to the VALUE of the sales revenue that BSB received from selling Punjabi Masala in 2013 compared with 2012. Show your working.

_____ [4]

(e) Section 1 of the case study refers to the fact that there are many other similar businesses selling spices.

(i) State whether the market for selling spices is a competitive market or a monopoly.

_____ **[1]**

(ii) Using the table below, tick (✓) to indicate whether each of the following statements is true or false about the type of market in which there are many businesses selling similar products.

Statement		True	False
A	Consumers may benefit from lower prices because they can shop around for the best deal.		
B	There is little or no choice for consumers.		
C	To survive, firms must be efficient and keep their costs low.		
D	Firms may have to spend a lot on advertising.		

[4]

2 (a) Section 4 of the case study describes the production process at BSB.

(i*) Assess whether or not batch production is the most appropriate method of production to make spice blends at BSB. In your answer you must compare batch production with job and flow production. [8]

[illegible]

- (ii) Using information in the case study, state **TWO** examples of different specialist workers at BSB.

EXAMPLE 1 _____

EXAMPLE 2 _____

[2]

- (iii) The list below gives some statements about possible advantages and disadvantages of the specialisation of workers.

A	Workers may become bored doing the same job all the time.
B	Workers may become de-motivated by the repetitive nature of their work.
C	Workers only need to learn one job which may save time and money training them.
D	Workers may become better at doing their jobs as they practise the same skills all the time.
E	The productivity of the workers may increase.

Indicate whether each of these statements is an advantage or disadvantage of the specialisation of workers by inserting each letter (A, B, C, D and E) in the correct column in the table below.

Advantages of specialisation	Disadvantages of specialisation

[5]

(b) Fig. 5 in the case study gives the estimated costs and revenue which BSB could expect if it produced the Moroccan Special blend of spices to meet the order from the supermarket.

(i) State TWO variable costs of producing the Moroccan Special blend of spices.

VARIABLE COST 1 _____

VARIABLE COST 2 _____

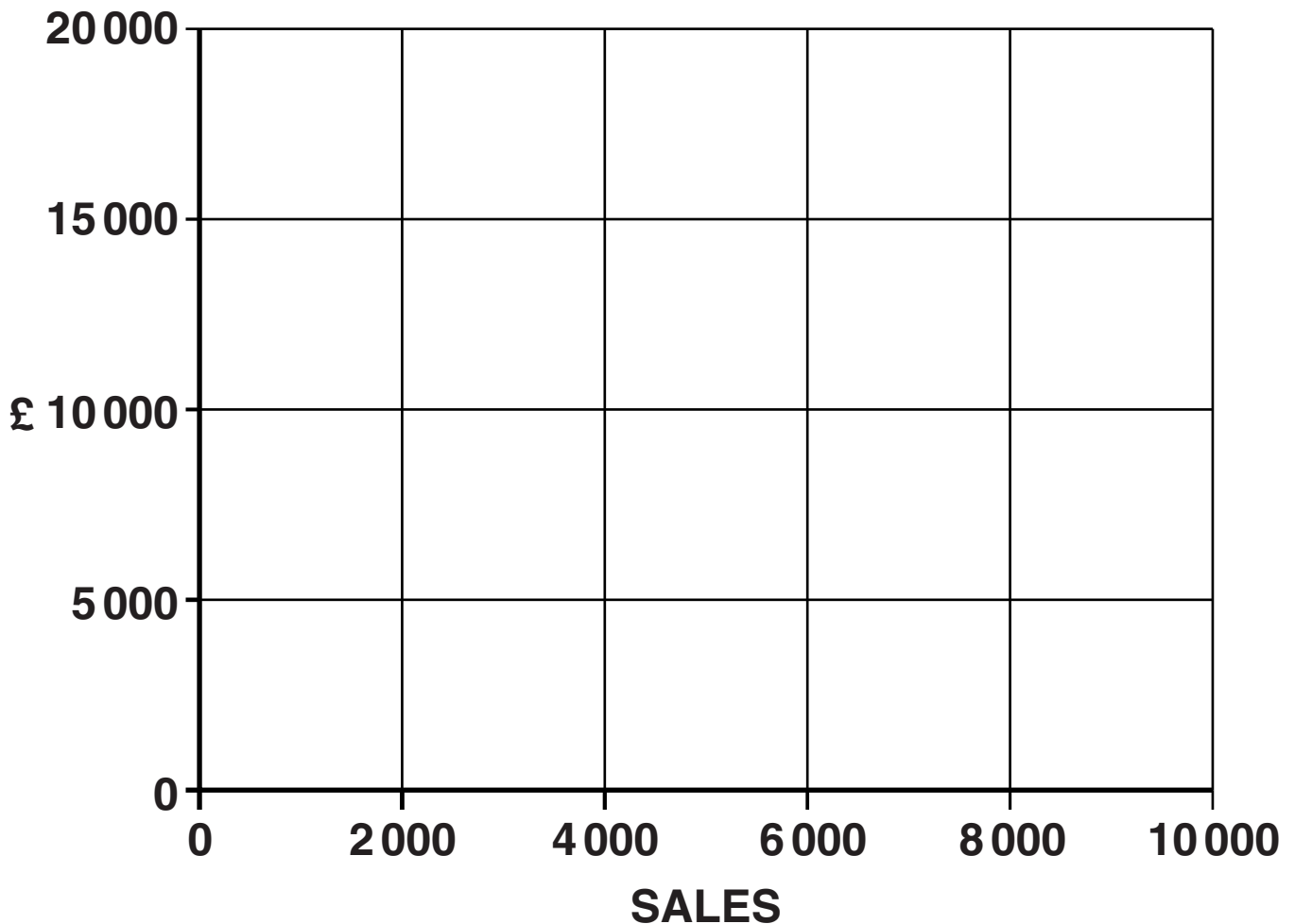
[2]

(ii) State ONE example of a fixed cost that BSB may have to pay.

_____ [1]

- (iii) Using the information provided in Fig. 5 of the case study, construct a break-even graph for sales of up to 10 000 pouches of Moroccan Special blend. You will need to draw and label the fixed cost, total cost and total revenue lines on your graph.

COSTS / REVENUE



[6]

- (iv) State the level of sales that BSB needs to break even.

_____ [1]

- (v) Calculate the profit that BSB would make on the sale of 10 000 pouches of the Moroccan Special blend of spices. Show your working.**

[2]

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. In the bottom right corner, there is a small black box containing the number "5".

- 3 (a) (i) Complete the following sentence using TWO of the words below.

TRADE

GLOBALISATION

SUSTAINABILITY

_____ is a term for the
increase in _____ between
different countries in the world. [2]

- (ii) Using information from the case study, identify TWO examples which show how BSB is a part of the global economy.

EXAMPLE 1 _____

EXAMPLE 2 _____

[2]

- (b) (i) Using the table below, calculate the price of cardamom bought from India in pounds sterling (£) if the exchange rate is £1 = INR 80.

Price of one kilogram of cardamom in Indian Rupees (INR)	Price of one kilogram of cardamom in pounds sterling (£) at an exchange rate of £1 = INR 80
INR 1440	INR 1440 / 80 = £_____

[1]

- (ii) Calculate the new price of cardamom bought from India in pounds sterling (£) if the price of cardamom rose to INR 1680 with an exchange rate of £1 = INR 80. Show your working.

Price of one kilogram of cardamom in Indian Rupees (INR)	Price of one kilogram of cardamom in pounds sterling (£) at an exchange rate of £1 = INR 80
INR 1680	£ _____

[2]

(iii) In response to the rise in the price of cardamom from India, BSB has the option either to raise the price of the spice blends it sells or to buy the cardamom from another country. Recommend which of these options BSB should use. Give reasons for your recommendation and explain why you rejected the other option. [6]

[illegible]

(c) Lines 152–154 of the case study state that Chloe and Ade “believe there are opportunities for BSB to benefit from further economies of scale if it moves to new, larger premises”.

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

TOTAL

AVERAGE

INCREASES

DECREASES

Economies of scale are when the

**_____ cost falls as the scale of
output _____ .**

[2]

- (ii) In the diagram below, different types of economy of scale are given in the left hand column. Descriptions of each type of economy of scale are given in the right hand column. Draw a line from the type of economy of scale to the correct description of it. You must draw only FIVE lines.

TYPE	DESCRIPTION
Bulk-buying economies	When a business has lower advertising costs per unit.
Financial economies	Using machinery to reduce the cost of production.
Managerial economies	A discount given for buying in large quantity.
Marketing economies	When a business sells a range of goods in order to spread its risk.
Technical economies	When a large business pays a lower rate of interest on a bank loan than a smaller business does.
	Specialist managers are able to improve the efficiency of the business.

[5]

(d*) Lines 158–160 of the case study state that “Chloe and Ade are confident that planning permission will be given by Bowton Borough Council, although there is some opposition to these plans.”

Discuss the social costs and benefits to the town of Bowton of BSB building its new factory. Recommend and justify whether or not planning permission should be given. [10]

[illegible]

[illegible]

END OF QUESTION PAPER



Copyright Information

OCR is committed to seeking permission to reproduce all third-party content that it uses in its assessment materials. OCR has attempted to identify and contact all copyright holders whose work is used in this paper. To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced in the OCR Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download from our public website (www.ocr.org.uk) after the live examination series.

If OCR has unwittingly failed to correctly acknowledge or clear any third-party content in this assessment material, OCR will be happy to correct its mistake at the earliest possible opportunity.

For queries or further information please contact the Copyright Team, First Floor, 9 Hills Road, Cambridge CB2 1GE.

OCR is part of the Cambridge Assessment Group; Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

