



Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

GCSE BUSINESS STUDIES

Unit 1 Setting up a Business

Wednesday 25 May 2016

Morning

Time allowed: 1 hour

Materials

For this paper you may use:

- a calculator.

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.

Information

- The maximum mark for this paper is 60.
- The marks for each question are shown in brackets.
- You are reminded of the need for good English and clear presentation in your answers. Quality of Written Communication will be assessed in questions 1(d), 2(d) and 3(d).



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Answer **all** questions in the spaces provided.

Total for this question: 21 marks

1 Read **Item A** and then answer the questions that follow.

Item A

Fresh and Ironed

Monique works in a factory but has decided to leave her boring repetitive job. She often helps her friends at the factory by ironing their clothes when she gets home. She is thinking that setting up a local ironing business might be a good idea. She has heard that this type of service can make a good profit.

If she decides to go ahead with her business idea then two possible markets will be people who live near to her flat and employees at the factory where she currently works. She will however only have a small amount of money to launch her home-based business and buy the necessary equipment.

Monique is wondering whether she can afford to undertake market research and whether she needs to do any advertising. She already has several friends who still work at the factory who say they will use the service. They have also promised to tell other employees in the factory about her ironing service.



1 (a) Explain **one** possible reason why people like Monique set up in business. **[2 marks]**

Extra space _____

1 (b) Explain **two** disadvantages to Monique of setting up as a sole trader. **[4 marks]**

Disadvantage 1 _____

Extra space _____

Disadvantage 2 _____

Extra space _____



1 (c) State and explain **two** benefits of targeting her ironing service at a market niche. **[6 marks]**

Benefit 1 _____

Extra space _____

Benefit 2 _____

Extra space _____



Extra space _____

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Turn over for the next question

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ANSWER IN THE SPACES PROVIDED**



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Total for this question: 19 marks**2**Read **Item B** and then answer the questions that follow.**Item B****We-R-Mugs Ltd**

We-R-Mugs Ltd was set up five years ago to produce individual mugs as special gifts and presents. The mugs are not cheap and can sell at between £5 and £10 depending on how complicated the design is. It is a successful business and now employs 20 workers in a small workshop on the edge of a town.

The business wants to increase its revenue by selling a cheaper range of novelty mugs. These would be produced in batches and would cost £2 to make and could be sold for £4. There would also be distribution costs of £50 for every 100 mugs sold.

If it decides to make the novelty mugs using batch production then in order to make even more profit We-R-Mugs Ltd could buy a new machine. The machine would be expensive but would reduce the costs of making the mugs. The sales team is concerned that the company might lose its reputation for the high quality of its mugs.



2 (a) State **two** legal responsibilities that We-R-Mugs Ltd has to its employees. **[2 marks]**

Responsibility 1 _____

Responsibility 2 _____

2 (b) Calculate the additional **weekly** profit the business would make if it produced and sold 5000 novelty mugs every week. **[4 marks]**

Additional weekly profit _____

Workings _____



2 (c) Explain how We-R-Mugs Ltd might use focus groups to see if there was a demand for the novelty mugs.

[4 marks]

Extra space _____

2 (d) If it goes ahead with the novelty mugs We-R-Mugs Ltd have decided to ignore the concerns of the sales team and use batch production. Discuss whether this decision will improve the profits of We-R-Mugs Ltd.

[9 marks]



Total for this question: 20 marks**3** Read **Item C** and then answer the questions that follow.**Item C****Dan the Builder**

Dan runs a profitable building business specialising in small and medium sized jobs. He can tackle planned or emergency building work. Most of his customers have used his business for many years.

He employs a small number of well-paid workers including an electrician, a painter and a plumber. Many of his jobs, however, use workers on low pay who are only employed when Dan needs them. This means that he can charge competitive prices. Dan manages all of the jobs and makes sure that the work is of a good quality and that the workers provide excellent customer service.

One of his problems is cash flow as the workers he employs want paying at the end of each week. His customers, however, often do not pay until well after the job has been finished.

This year has also seen his profits fall as competition has increased. Dan does not think his competitors provide as good a quality service as him but his customers are telling Dan that the other building companies have cheaper prices.

In recent weeks two of his best employees have announced that they are leaving to work for another building company. They say that the competitor pays more money and provides better fringe benefits. Dan is worried that he cannot afford to pay high wages or to spend time looking for new employees.



3 (a) Explain **one** fringe benefit that might motivate the employees of Dan's business. **[2 marks]**

Extra space _____

3 (b) State and explain **two** ways that Dan's business would benefit from providing good customer service. **[4 marks]**

Benefit 1 _____

Extra space _____

Benefit 2 _____

Extra space _____



There are no questions printed on this page.

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