

**GENERAL CERTIFICATE OF SECONDARY EDUCATION**  
**BUSINESS STUDIES A**

**1951/04**

Paper 4: Business and Change  
(Higher Tier)

Candidates answer on the Question Paper

**OCR Supplied Materials:**  
None

**Other Materials Required:**  
• Calculators may be used

**Tuesday 15 June 2010**  
**Morning**

**Duration: 1 hour**



Candidate Forename		Candidate Surname	
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Centre Number						Candidate Number				
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**INSTRUCTIONS TO CANDIDATES**

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- Do **not** write in the bar codes.
- 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).

**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 **60**.
- The quality of your written communication will be taken into account when marking your answers to questions labelled with an asterisk (\*).
- This document consists of **12** pages. Any blank pages are indicated.



**A calculator may  
be used for this  
paper**

1 Quality Build plc is a large UK based company which builds houses in the UK.

- (a) State and explain **one** advantage and **one** disadvantage to Quality Build plc of running the company as a public limited company.

**Advantage** .....

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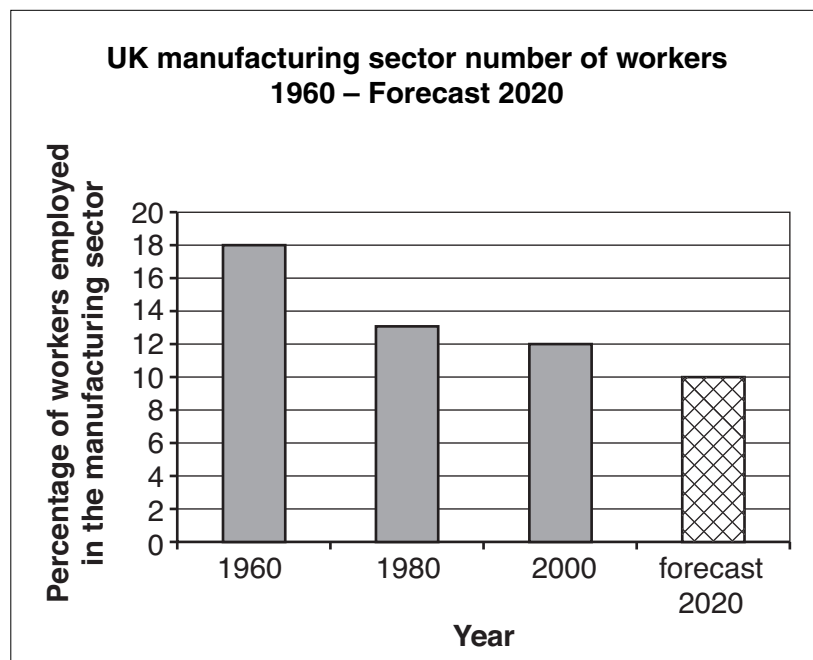
**Disadvantage** .....

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..... [4]

- (b) When Quality Build plc builds its houses, the company could be said to be part of the manufacturing sector of the economy. Fig. 1 below shows data on the number of workers in the UK manufacturing sector.



**Fig. 1**

Using the data shown in Fig. 1, explain **two** reasons why the trend in employment in the manufacturing industry has occurred. Explain whether the government should be concerned by the trend shown.

**Reason 1** .....

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**Reason 2** .....

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**Should the government be concerned?**

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..... [6]

- (c) Quality Build plc believes that in order to break-even in 2010 the number of houses it needs to sell has risen from the number it had to sell in 2009.

Indicate, with a tick (✓), if **each** event below is likely or unlikely to have caused the increase in the number of houses needed to break-even.

<b>Event</b>	<b><u>Likely</u> to increase the number of houses needed to break-even</b>	<b><u>Unlikely</u> to increase the number of houses needed to break-even</b>
A rise in house prices		
A rise in the number of businesses selling houses		
A rise in the price of bricks		

[3]

- (d) Currently, Quality Build plc employs all of its plumbers as full-time employees. The management is considering outsourcing the plumbing work to other businesses, rather than employing its own plumbers.

Advise Quality Build plc whether or not to outsource its plumbing work. You should refer to both advantages and disadvantages of outsourcing in your answer.

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..... [4]

- (e) The Financial Director of Quality Build plc is reviewing the financial situation of the business. She produced the following financial information.

**A summary of Quality Build plc financial situation 2008 to Forecast 2011**

	<b>2008</b>	<b>2009</b>	<b>Forecast 2011</b>
<b>Number of houses sold</b>	4 500	4 000	3 900
<b>Average price of house sold</b>	£160 000	£150 000	£140 000

<b>Revenue from houses sold</b>	£720 m	£600 m	£546 m
<b>Net profit</b>	£60 m	£45 m	£30 m
<b>Capital employed</b>	£600 m	£625 m	£650 m
<b>Current ratio</b>	2:1	1.5:1	0.6:1

**Fig. 2**

Using the figures in Fig. 2, and ratio analysis, explain how concerned the Financial Director should be by the data shown. Give reasons for your answer.

[8]

### Headline 3

## Bank of England warns of a reduction in the number of house sales next year

..... [7

2 British Ships plc makes, repairs and sells a range of ships including ferries.

(a) British Ships plc was privatised by the government in 1990.

(i) Draw **one** line which correctly matches the term **privatised** with its explanation.

PRIVATISED	The process of returning a firm to the ownership of the European union.
	The process of returning a firm to the public sector after being run by the individuals and shareholders.
	The process of returning a firm to the private sector after being run by the state.

[1]

(ii) Explain **one** advantage to British Ships plc of being privatised in 1990.

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..... [2]

(iii) The government set up a number of bodies, such as the Office of Gas Supply (OFGAS), to regulate newly privatised businesses. Explain why the government regulates business activity in this way.

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..... [2]

- \*(b) (i)** British Ships plc is thinking of moving its business to either Location A or Location B. Information is provided on both locations below.

LOCATION A	LOCATION B
Population of 350 000 Deep water port University in the area Next to major railway line	Population of 2000 Quality restaurants Quiet fishing village Near the local primary school

Look closely at the information and advise British Ships plc whether you would locate to either Location A or Location B. You should refer to both locations in your answer.

Chosen location .....

Reason .....

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..... [4+2]

- (ii)** In 2005, British Ships plc received a financial grant from the UK government. Explain why the business may have received this money.

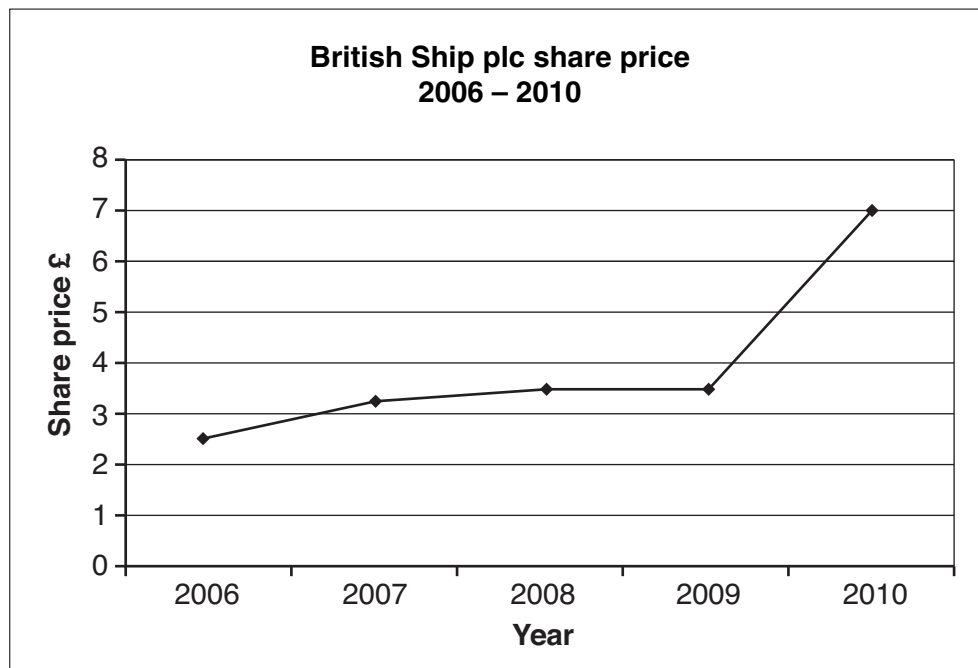
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..... [2]

- (c) In 2009, British Ships plc obtained a major contract to build five large ships. This led to the following change in its share price.



**Fig. 3**

Using the data shown in Fig. 3 explain the possible relationship between British Ships plc obtaining a major contract and its share price.

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..... [3]

- (d) British Ships plc has a long chain of command. Explain **one** advantage and **one** disadvantage to British Ships plc of having a long chain of command.

**Advantage** .....

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**Disadvantage** .....

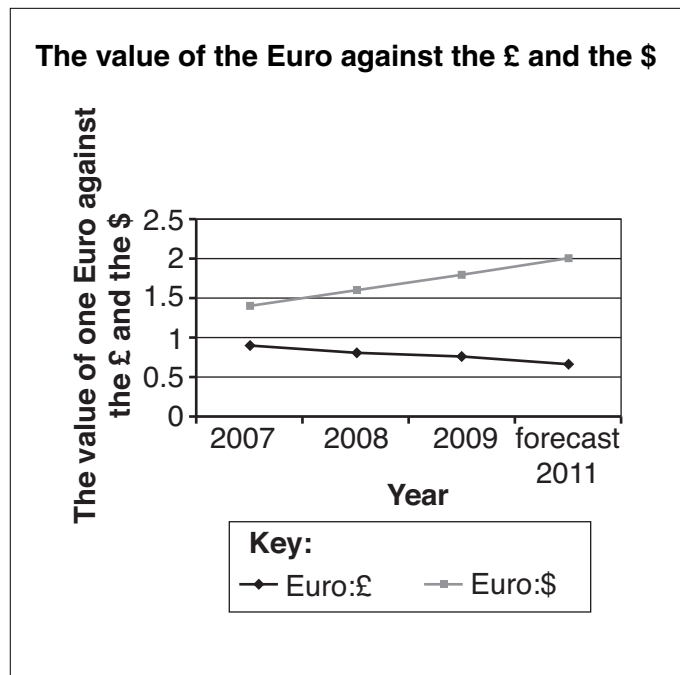
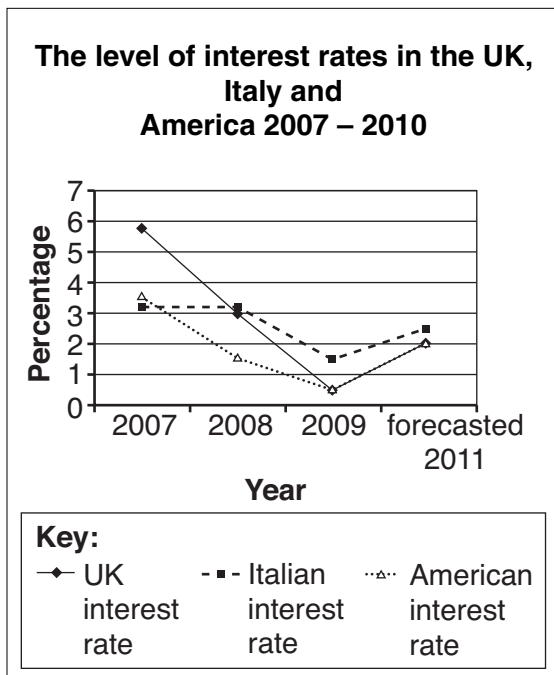
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- (e) An Italian ferry operator, Sea Italia, wants to buy a new ferry in 2011. It will do this by borrowing money from a bank in either Italy, the UK or America. It has two businesses from which it is considering buying the new ferry.

1. British Ships plc based in the UK
2. Sea Carrier Incorporated based in America



**Fig. 4**

	COST OF THE FERRY TO SEA ITALIA
To buy from British Ships plc based in the UK.	£1 billion
To buy from Sea Carrier Incorporated based in America.	\$1.5 billion

Using the economic data shown in Fig. 4, and **any other relevant factors** advise Sea Italia:

- from which business, British Ships plc or Sea Carrier Incorporated, to buy the new ferry
- whether to borrow the money from an Italian, UK, or American bank.

Give reasons for your answer.

[8]

**[Total marks: 28]**

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