

GCSE Bitesize Mock Exam

Subject: **Business Studies**
Tier: **Foundation**
Marks available: **100**
Time allowed: **1 hour and 15 minutes**

- Marks available are given at the end of each section.
- Read each question carefully before answering it.
- Keep an eye on the time and try to leave five minutes at the end to check your answers.

Read and use Data A to help you answer Questions 1 to 7.

Data A

Andy is a highly skilled computer technician who has always had an interest in computers. He has worked for the past five years for a local business looking after all of its IT. Andy was also responsible for buying all of the computer related supplies for the business. He noticed that he was continually buying blank DVDs and CDs. He also used a lot of blank disks at home making music CDs and home movies.

Andy always thought that the prices charged for blank DVDs and CDs were very high. So he spent some time looking on the internet and saw that blank disks were much cheaper in America. He thought that if he was able to import the disks from America he could sell them in the UK at a profit and undercut any competition. He decided to set up his own internet business as a sole trader.

Andy found an American wholesaler that would supply him blank disks, but all of the prices were quoted in American Dollars and he would also need to pay in Dollars. Using the current exchange rates he calculated that the supplier would charge the equivalent of 69p each for a blank CD with case.

After doing some market research Andy found that most businesses and individuals bought their blank disks over the internet. He therefore decided that he would not need a shop, but a warehouse where he could store the disks before sending them to customers by post. He found an ideal warehouse on the outskirts of town; it is on the market for £65,000. He needs a further £5,000 to buy equipment and stock – making his total start-up costs £70,000. He presently has £15,000 in savings. He also estimated that his fixed costs would be £12,500 per year.

He found lots of advice about running a small business on the Government's website. It suggested that he spent time producing a business plan. Andy carried out some further primary and secondary research and after a few weeks he had produced a business plan.

Question 1

Explain briefly the meaning of the following business studies terms and give an example of each. Your examples may be drawn from Data A or from any other source.

a) A wholesaler

[3 marks]

b) Fixed costs

[3 marks]

Question 2

a) What is the difference between primary and secondary research?

[4 marks]

b) Give one example of primary research and explain 2 of its advantages

[5 marks]

c) Give one example of secondary research and explain 2 of its disadvantages

[5 marks]

Question 3

Explain why Andy chose to start his new business as a sole trader.

[6 marks]

Question 4

Explain two possible objectives Andy might have had for his new business.

[6 marks]

Question 5

a) Using information in Paragraph 4, calculate how much Andy needs to borrow, in order to start his business.

[2 marks]

b) Describe the advantages and disadvantages of two different sources of finance that Andy could obtain so that he could open his business.

[6 marks]

c) Explain which of these you think is the most appropriate for him.

[4 marks]

Question 6

One of Andy's friends has suggested that he should draw up a cash flow forecast.

Briefly explain two ways that having a cash flow forecast can help a business.

[6 marks]

Read and use Data B to help you answer Questions 8 to 12.

Data B

Fashion House plc has been making clothes for over 30 years and it prides itself on producing clothes that set trends rather than following them. It has a large factory based in the centre of England, located just to the North of Birmingham. However, recently, the company has been facing a growing number of problems.

It sells its clothes to shops all over Europe and over recent years it has faced increased competition, particularly from Chinese businesses. Chinese businesses are able to produce clothes at a lower cost as they pay their staff lower wages.

Section Managers have also voiced concerns –

The Accounts Manager has stated that the company is facing liquidity problems, after analysing the company's accounts. The marketing manager believes that he must be given a larger budget so he can improve Fashion House plc's marketing mix.

The Operations Manager believes that too much space is being wasted in the factory due to the large amounts of raw materials that are held. She also points out that the morale of her staff is low as they have heard rumours from staff in different departments and fear for the future of the business.

Fashion House plc have looked at the possibility of producing an exclusive brand range of high quality clothing, in order to boost profits, but some managers have voiced concern about whether its workers had the skills to produce such clothes.

Fashion House plc's managers have been called together to assess the situation, discuss the future of the business put forward recommendations to resolve these problems faced.

Question 8

Explain briefly the meaning of the following business studies terms and give an example of each. Your examples may be drawn from any other source.

a) A plc

[3 marks]

b) Brand name

[3 marks]

Question 9

The Human Resource Manager has suggested retraining the company's workers. Explain two advantages of Fashion House plc providing training for its workers?

[6 marks]

Question 10

Explain why Fashion House plc may have decided to locate its factory near Birmingham. Do you think it is the right location and why?

[6 marks]

Question 11

Evaluate the effects of Fashion House plc adopting a Just in Time approach to production, explaining both advantages and disadvantages.

[10 marks]

