

4330 BUSINESS STUDIES, NOVEMBER 2005 MARK SCHEME

Paper 3

Question 1

- (a) (i) **What is meant by the term survival?**
(AO1 - Demonstrate = 1)
- to remain in business 1
- (ii) **What is meant by the term expansion?**
(AO1 - Demonstrate = 1)
- increasing the number of outlets / range of products 1
- (iii) **Identify three other objectives that businesses could have.**
(AO1 - Demonstrate = 3)
- e.g. market share
wealth creation
profitability
maximisation of profits
diversification
customer satisfaction 3
- (b) **What could be two disadvantages for the brothers of the business becoming a public limited company?**
(AO2 - Apply = 5)
- Basic statements
e.g. control
increase in number of shareholders
use of profits
ownership 2
- Expanded statements
e.g. (control) - could lose it / could be bought out / more legislation
(shareholders) - their interests may conflict / can affect share price / anyone
(profits) - less control of how profits are allocated to business / shareholders
(ownership) - now shared with many new and unknown shareholders 3
- (c) **Why would so many jewellers locate in the same street?**
(AO3 - Analyse / Select =5)
- e.g. supply of skilled labour readily available
possible external economies of scale
reputation of area draws other jewellers to it
possibility of specialised training at local centres of education
specialist supplies / manufacturers could be close by
customers drawn to the area because of choice / competition / price 5

- (d) **Suggest why the newspaper should not accept or print this advertisement.**

(AO4 - Evaluate = 5)

- e.g. breaks two pieces of legislation
(Sex Discrimination Act) - illegal to discriminate because of sex
(Race Relations Act) - illegal to discriminate because of race
(Conclusion - newspaper could be liable if advertisement was run)
Could affect image - bad publicity / reputation for newspaper
Employee relations
Offensive to readers and staff

5

Total 20 marks

Question 2

- (a) **Put the above stages in the correct order.**

(AO1 - Demonstrate = 5)

Job description
Job advertisement
Shortlisting
Interview
Contract

(1 mark for each item in the correct place)

5

- (b) (i) **Calculate the value, in pounds (£), of an order invoiced at 42 000 Yuan. Show all your working.**

(AO2 - Apply = 5)

$$42\,000 / 14 = \text{£}3\,000$$

2

- (ii) **Calculate the value, in pound (£), if the rate of exchange became 12 Yuan to the pound (£).**

£3 500

1

- (iii) **What effect would the change in the rate of exchange have on a customer in Great Britain?**

- e.g. Cost is greater for the customer
will have to pay more for the same number of keyboards
may have to increase price at which keyboards are sold
(Accept OFR argument)

2

- (c) **Comparing these two figures, analyse the benefit to a shareholder of keeping their investment in the business.**
(AO3 - Analyse / Select = 5)
- e.g. profitability - show pence profit for every £1 capital employed - allows comparison with other business for the purpose of investment improved - slight increase on 2004 (2%) - shareholder sees a higher rate of return
- could still look to invest in another business with a better ROCE 5
- (d) **Discuss how these final accounts can be used to help a business with its financial planning.**
(AO4 - Evaluate = 5)
- e.g. (Trading and Profit & Loss Account) - calculates and shows gross and net profit
(Balance sheet) - show what business owns and what business owes
Calculations of profitability/liquidity/assets can be made
Can show financial strengths/weaknesses/shortcomings
Allow comparison to past results
Allows comparison to other similar business 5

Total 20 marks