Edexcel IGCSE

Business Studies

Paper 3

COMMON

Monday 12 May 2008 – Afternoon

Time: 1 hour

Examiner's use only

Team Leader's use only

Question Number	Leave Blank
1	
2	
Total	

Materials required for examination

Nil

Items included with question papers

Nil

Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initials and signature.
Check that you have the correct question paper.
Write your answers in the spaces provided in this question paper.
Answer ALL the questions.
Do not use pencil. Use blue or black ink.

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. **(2)**.
There are 2 questions in this question paper. The total mark for this paper is 40.
There are 8 pages in this question paper. Any blank pages are indicated.

Advice to Candidates

You are reminded of the importance of using good English in your answers.

Turn over

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Answer ALL the questions.

1. Below are six statements.

   A   A business has a share capital of £50 000 or more.

   B   In this business, profits are not shared.

   C   A business pays fees to trade under a recognised brand name.

   D   Shares can only be sold with the permission of existing shareholders.

   E   The retirement or death of one of the owners can end the business.

   F   There is one vote per person regardless of the number of shares held.

   (a) Identify, using the letters A, B, C, D, E, and F **once only**, the statement that matches the type of business organisation. The first one has been done for you.

   Co-operative   F

   Sole trader   ....

   Partnership   ....

   Private Limited Company (Ltd)   ....

   Public Limited Company (plc)   ....

   Franchise   ....

   (5)

Below is an extract from the Balance Sheet for a small business.

2007
(£000)

Fixed Assets   280

Current Assets
Stock   10
Debtors   12
Cash   3
                       ──
                       25

Current Liabilities   20
                             ──

Working Capital   5

The formula for current ratio is $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

The formula for acid test ratio is $\dfrac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}}$

(b) (i) Calculate the current ratio and the acid test ratio for 2007.

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(2)

  (ii) Why might the managers of this business consider the ratios to be low?

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(3)

The cash flow forecast below is for a small business.

	Apr	May	Jun	Jul	Aug	Sept
Opening balance	3 200	4 400	4 000	(1 100)	(600)	100
Cash inflow	2 500	2 600	3 200	2 700	2 500	1 800
Cash outflow	1 300	3 000	8 300	2 200	1 800	1 400
Net cash flow	1 200	(400)	(5 100)	500	700	400
Closing balance	4 400	4 000	(1 100)	(600)	100	500

(c) Identify actions the owner of this business should take with the **bank** because of the forecast closing balances for June and July.

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(5)

A large business manufactures and sells flat screen television sets across the world. Two departments in this business are production and marketing.

(d) Analyse the interdependence of these two departments in making this business successful.

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(5)

Q1

(Total 20 marks)

2. (a) (i) List **three** methods used in secondary market research.

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(3)

(ii) Define the terms below.

Market orientation

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Market share

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(2)

In 2004, Safeway, a supermarket company with 479 stores, was taken over by Morrison, another supermarket company with 125 stores. One result of this takeover would be increased opportunities for managerial and trading internal economies of scale.

(b) Using managerial and trading economies of scale, explain how Morrison would benefit from this takeover.

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(5)

When a business recruits employees it will usually draw up a job description and a job (person) specification for each position.

(c) Analyse the function of a job description and a job specification **for a person thinking of applying for a position**.

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(5)

Supermarkets, such as those operated by Morrison, are carefully located. Such retail businesses would consider their competitors when deciding the location for a new supermarket.

(d) Suggest why a study of competitors is important when Morrison decides where to locate a new supermarket.

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(5)

Q2

(Total 20 marks)

TOTAL FOR PAPER: 40 MARKS

END