

Answer ALL the questions. Write your answers in the spaces provided.

1. A typical cash flow forecast for a small business is shown below.

	2010			
	January	February	March	April
Opening balance	1 500	3 500	5 500	9 000
Income (Receipts)				
Cash sales	7 500	7 500	10 000	10 000
Credit sales	2 500	2 500	3 500	4 500
Total Income	10 000	10 000	13 500	14 500
Expenditure (Payments)				
Materials	1 500	1 500	3 500	5 000
Rent	1 500	1 500	1 500	1 500
Wages	5 000	5 000	5 000	6 000
Total Expenditure	8 000	8 000	10 000	12 500
Net cash flow	2 000	2 000	3 500	2 000
Closing balance	3 500	5 500	9 000	11 000

(a) Define the following terms.

Opening balance

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Income (Receipts)

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Expenditure (Payments)

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Net cash flow

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Closing balance

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(5)



Justine has had a successful year providing pre-ordered sandwiches to small businesses in her town. The quality of her product has attracted the attention of a business that wants her to supply a range of 10 different sandwiches, six days a week, to 12 supermarkets. Justine will have to use batch production for the supermarket sandwiches.

(b) Explain why Justine will have to use batch production.

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(5)

In 2007, the exchange rate for the American dollar against the British pound increased from \$1.90 to \$2.06. One result of this was the large number of British people who bought cheap flights to America to buy goods in New York shops; goods that they could have just as easily bought in London.

(c) Analyse why the change in the exchange rate benefited British shoppers.

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(5)



Anita Roddick started The Body Shop in 1976. It began with a single shop in Brighton.

The following information relates to the growth of The Body Shop.

- In 1982 new shops opened at the rate of two a month
- In 1986 The Body Shop was listed on the London Stock Exchange
- In 1989 The Body Shop opened in America
- In 1990 The Body Shop was trading in 39 countries
- In 1994 Body Shop at Home – direct selling from a website – opened in four countries
- In 2005 there were 2,045 Body Shop stores across the world
- In 2006 The Body Shop was bought by the L’Oréal Group

(d) Using this information, judge the success of this business between 1976–2006.

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(5)

Q1

(Total 20 marks)

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2. Three key departments in any large business are finance, marketing and personnel (human resources).

(a) Against each function below, indicate with a cross (☒) the department responsible for that function. If you change your mind about an answer, put a line through the box (☒) and then indicate your new answer with a cross (☒).

Function	Finance Department	Marketing Department	Personnel Department
Invoicing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Distribution of product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grievance procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Advertising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(5)

In 2006, the first Blu-ray DVD player came to the market.

(b) Using the skimming price strategy, explain why it was the most appropriate strategy for the business that sold the first Blu-ray DVD player.

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(5)



The interdependence of the primary, secondary and tertiary sectors is essential to business activity.

(c) Analyse how primary, secondary and tertiary activities link in order to produce a school desk.

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(5)



Professor Frederick Herzberg once said, “Motivators and hygiene factors are equally important, but for different reasons”.

(d) Discuss the importance of Herzberg’s hygiene factors in the work place.

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(5)

Q2

(Total 20 marks)

TOTAL FOR PAPER: 40 MARKS

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