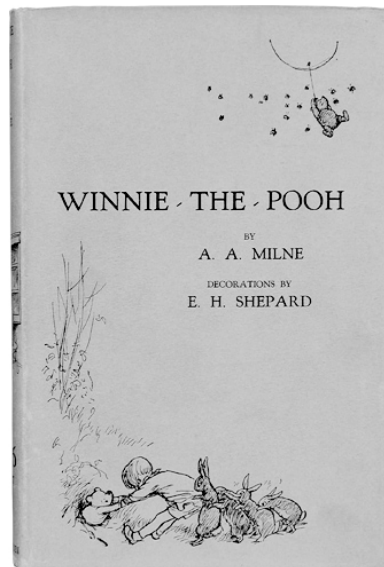


Read this page, then answer the questions which follow.

Context

Across the world, people (known as book collectors) buy rare books. These books are often quite old. They can be very valuable if only a few original copies are left. For example, a rare copy of the children's book 'Winnie The Pooh', originally published over 80 years ago for less than £1, was recently bought by a book collector for £3 000.



Hari Petersen buys and sells rare books. *Hari Petersen Books (HP Books)* started in 1959 when Hari's father began selling rare books from a market stall. Hari became a partner in 1967. By 1991 Hari was running the business as a sole trader and had opened a shop in London. There are now over 10 000 rare books for sale in the *HP Books* shop.

Specialist employees work in the shop. There is a monthly *Hari Petersen* catalogue containing details of books for sale, which is posted to existing customers, and a website where book collectors can see details of the rare books and buy them.

Some rare books bought by *HP Books* are in poor condition. Therefore, Hari plans to set up another business, *Petersen Bindery*. At *Petersen Bindery*, Hari will employ experts to re-bind (put new covers on) books where the covers need repairing or replacing.



Answer ALL questions.

**For each of the questions (i) – (v), indicate your answer by marking the box (☒).
If you change your mind, put a line through the box (☒) and then indicate your new
answer with a cross (☒).**

1. (a) (i) Hari handles all advertising. Which department is this an example of?
- A Finance
- B Marketing
- C Personnel (Human Resources)
- D Production
- (ii) The Finance Department at *HP Books* deals with
- A cash flow forecasting
- B sales promotion
- C recruitment of staff
- D research and development
- (iii) Hari has a book by Herzberg, the person whose theory explains
- A assets and liabilities
- B economies and diseconomies of scale
- C EPOS and EFTPOS
- D hygiene factors and motivators
- (iv) Hari gives authority to some employees to carry out tasks. This is an example of
- A delegation
- B demand
- C depreciation
- D dismissal



(v) The term **chain of command** refers to

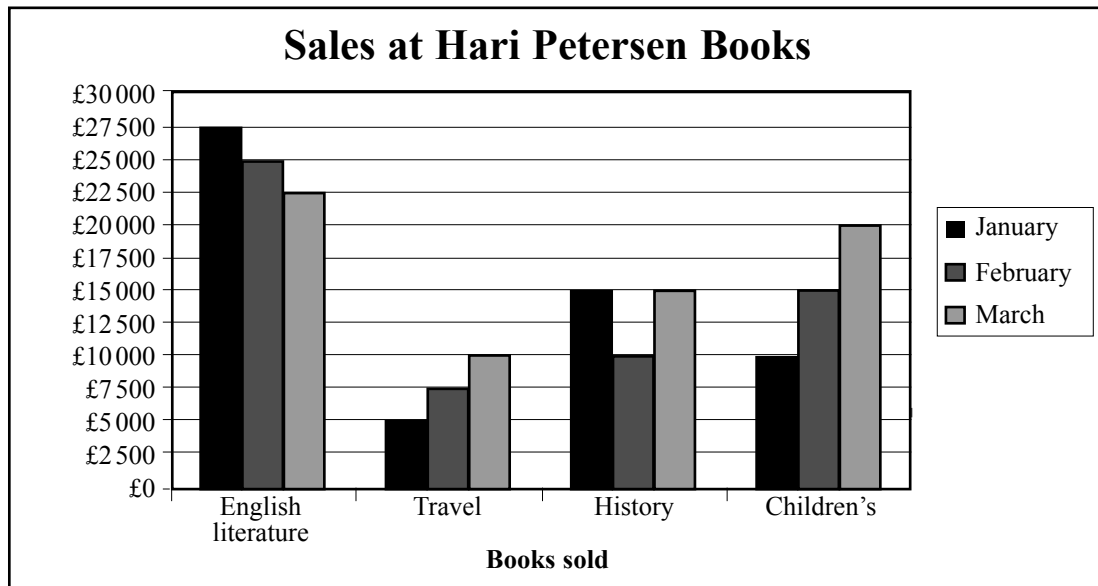
- A the number of experts working in the shop
- B the laws that Hari and the employees must obey
- C how many employees work in Hari's shop
- D how orders are passed down from Hari

(5)

At *HP Books*, Hari puts the rare books into the following four groups:

- English literature
- Travel
- History
- Children's.

(b) Study the chart below and answer the following questions.



(i) Which was the best selling group of books in March?

Group

(1)

(ii) Calculate the total value of travel books sold in the three months.

£

(1)



(iii) In which month did *HP Books* make the highest sales?

Month.....

(1)

(iv) How much income did *HP Books* receive in February?

Income £

(1)

(v) Which group of books' sales are increasing most quickly?

Group

(1)

(vi) By how much do the sales of English literature books fall each month?

£ each month.

(1)

Hari uses the value of book sales as one way to measure the success of *HP Books*.

(c) State **two other** ways in which Hari could measure the success of his business.

.....
.....
.....
.....

(2)



Hari and his father used to be in partnership. However, Hari's father died in 1991. Hari now runs *HP Books* as a sole trader.

(d) What would be **two** effects for Hari as a result of changing the business from a partnership to a sole trader?

.....

.....

.....

.....

.....

.....

.....

.....

.....

(4)

Hari has thought about changing *HP Books* to a private limited company.

(e) Outline **one** advantage to Hari if he changes *HP Books* to a private limited company.

.....

.....

.....

.....

.....

.....

(3)

(Total 20 marks)

Q1

--	--



When Hari sets up *Petersen Bindery*, he will want good quality work from employees.

(c) State **two** likely effects for Hari's business if the employees of *Petersen Bindery* produce **poor** quality work.

.....
.....
.....
.....

(2)

When Hari sets up *Petersen Bindery*, the employees will use job production methods to re-bind (put new covers on) books where the covers need repairing or replacing.

(d) Why will job production be used by the employees at *Petersen Bindery*?

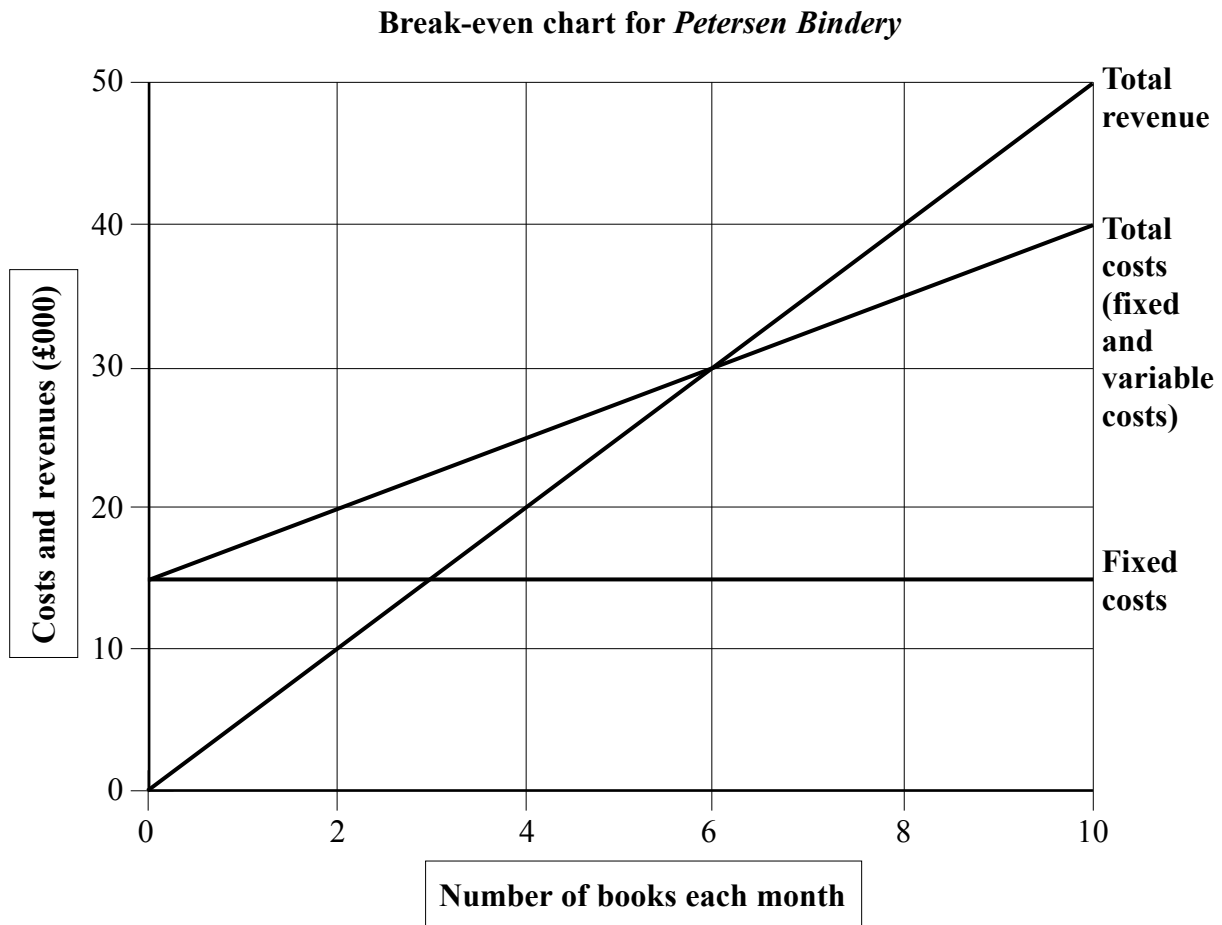
.....
.....
.....
.....

(2)



3. Hari is setting up *Petersen Bindery*, a business that will re-bind (put new covers on) books. This will allow Hari to sell these books at higher prices.

Hari has constructed the break-even chart below for *Petersen Bindery*.



(a) Using the chart,

- (i) what would be the break-even number of books?

..... (1)

- (ii) what would be the break-even revenue?

£ (1)



(iii) what is the profit or loss for *Petersen Bindery* if it re-binds and sells

- 4 books each month
- 10 books each month?

In each case, state whether it is a profit or a loss.

4 books

10 books

(4)

(b) What is the difference between fixed costs and variable costs?

.....
.....
.....
.....

(2)

Hari is employing experts to re-bind the books, which he will sell in the *HP Books* shop. The new covers for the books will be made from expensive leather.

(c) Name **one** likely fixed cost and **one** likely variable cost for *Petersen Bindery*.

.....
.....
.....
.....

(2)

(d) Name **two** financial rewards that Hari might give employees of *Petersen Bindery*.

.....
.....
.....
.....

(2)

TURN OVER FOR QUESTION 3 (E)



