

Read this page, then answer the questions which follow.

Context

Tracey Scott and her partner John own and run *Tracey's Cycles*, a shop which sells and repairs bicycles (bikes). Much of Tracey's time is spent with customers or repairing bikes. *Tracey's Cycles* shop is located in Hiram, a small town in the north of England that is a popular holiday (vacation) destination.

Hiram Council, the local governing body, wants to encourage more people to cycle to work rather than use their cars, to save resources and cut pollution. The Council has therefore recently created cycle lanes – sections of roads where people can cycle in safety. Tracey hopes this will help her business by making cycling more popular.



Tracey buys bikes from *Parker plc*. This company makes and sells bikes for everyday use. *Parker plc* has just started to manufacture the 'Kyrano', a racing bike for professional cyclists. This bike has a very advanced design, so the company is recruiting employees with specialist skills who will use modern materials and advanced electronic equipment to make the 'Kyrano'.

Parker plc is located in Creighton, a large town in the south of England.



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

1. *Parker plc* sets efficiency targets for lean production and productivity.

(a) (i) What is meant by lean production?

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(2)

(ii) What is meant by productivity?

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(2)

(iii) Describe **two** ways in which a business such as *Parker plc* could increase its productivity.

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(4)



The directors of *Parker plc* want to check if productivity is increasing.

- (b) Outline how an increase in productivity could be measured in a business such as *Parker plc*.

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(2)

Parker plc has its own internet website. Tracey plans to set up a website for *Tracey's Cycles*. Tracey will put on the website pictures of the bikes for sale, their price and other information.

- (c) What would be **one** advantage and **one** disadvantage to *Tracey's Cycles* of using the internet to promote the business and the bikes it sells?

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(4)



Tracey also advertises bikes for sale in the local newspaper. The advertisements list the prices of the bikes, their different styles and sizes, alongside pictures. Each advertisement has a '10% money off' voucher to use in the shop.

(d) Using the information above, give **one** example of

(i) **persuasive** advertising.

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(1)

(ii) **informative** advertising.

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(1)

(e) Discuss why persuasive **and** informative advertising are **both** suitable for Tracey to use when selling bikes.

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(4)

(Total 20 marks)

Q1

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2. The business decisions that both Tracey and the directors of *Parker plc* make are influenced by technology and environmental factors.

(a) (i) Using an example from the context on page 2, show **one** way in which **technology** has influenced a business decision.

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(2)

(ii) Using an example from the context on page 2, show **one** way in which an **environmental factor** has influenced a business decision.

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(2)

Two business objectives for *Parker plc* are

Objective 1 – To increase its share of the bike market in England from 12% to 15%

Objective 2 – To improve profitability.



(b) (i) Analyse how *Parker plc* might try to increase its share of the bike market in England.

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(ii) To what extent will achieving Objective 1 stop *Parker plc* from achieving Objective 2?

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(6)



The directors of *Parker plc* plan to recruit specialist workers externally, rather than internally, to make the specialist 'Kyrano' racing bike.

(c) Discuss the suitability of the directors' recruitment plan.

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Q2

(Total 20 marks)

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3. To increase sales, Tracey plans to set up *Tracey's Bike Hire*. The town of Hiram, where *Tracey's Cycles* is located, is popular for holidays (vacations). Tracey believes that people visiting Hiram on holiday will be prepared to pay for hiring (renting) bikes.

Bike hire prices will vary depending on whether the bike is hired for an hour, a day or a week.

- (a) Analyse how break-even analysis can help Tracey when deciding the price to charge for bike hire.

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(4)



John, Tracey’s partner, has agreed to be in charge of *Tracey’s Bike Hire*. John is a mechanic at *Tracey’s Cycles* who repairs bikes and does not deal with customers. John realises that he will need training so he can deal with customers who want to hire bikes.

(b) Assess whether off-the-job training is suitable for John in this situation.

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(6)

Tracey needs to consider how she can finance new bikes for *Tracey’s Bike Hire*. She has two options.

Option 1 Invest some of her own savings as extra capital

Option 2 Apply to her bank for a loan.

(c) Evaluate which option Tracey should select.

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(10)

Q3

(Total 20 marks)

TOTAL FOR PAPER: 60 MARKS

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