



**Read this page, then answer the questions which follow.**

**Context**

*Joan's Taxis* is a business located in the United Kingdom. Joan is the owner, and runs the business as a sole trader. Joan's business is expanding, and she is currently recruiting and training new taxi drivers.

The taxis that Joan uses are manufactured by *Merchant Motors Ltd*, a company that uses flow production methods to make taxis.

The directors of *Merchant Motors Ltd* plan to start making motor vans and other commercial vehicles as well as taxis. They will need to recruit more employees to make these vans and commercial vehicles. Both *Joan's Taxis* and *Merchant Motors Ltd* value the importance of induction training.



1. *Joan's Taxis* buys taxis from *Merchant Motors Ltd*.

(a) (i) Give **one** example of a suitable source of finance for *Joan's Taxis*, and **one different** example for *Merchant Motors Ltd*.

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(2)

(ii) Give **one** example of a suitable use of profits for *Joan's Taxis*, and **one different** example for *Merchant Motors Ltd*.

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*Merchant Motors Ltd* makes its taxis using the flow (mass) method of production.

(b) (i) State **two** features of flow production.

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(ii) Evaluate *Merchant Motors Ltd's* decision to use flow production when making its taxis.

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The directors of *Merchant Motors Ltd* want to see if there will be a market for the motor vans and other commercial vehicles they plan to start making.

(c) What would be the advantages to the directors of using **both** primary and secondary market research to see whether there is a market for these motor vehicles?

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(6)

(Total 20 marks)

Q1



2. *Merchant Motors Ltd* is market-oriented.

(a) What is meant by 'market-oriented'?

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Job (person) specifications are used when new employees are recruited and selected by *Merchant Motors Ltd*.

(b) Discuss the role of job (person) specifications when recruiting and selecting new employees for *Merchant Motors Ltd*.

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The directors of *Merchant Motors Ltd* have been presented with the following information, which is based on its most recent accounts.

Current Ratio 4.00:1 (4 to 1)      Acid Test Ratio 0.75:1 (0.75 to 1)

(c) Using this information, analyse the liquidity position of *Merchant Motors Ltd*.

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*Merchant Motors Ltd* operates a system of budgeting.

(d) Give **two** examples of budgets that a business such as *Merchant Motors Ltd* is likely to have.

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The directors of *Merchant Motors Ltd* are planning to make a new range of motor vans.

(e) Analyse how budgeting can help the directors of *Merchant Motors Ltd* in this situation.

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Q2

(Total 20 marks)





- 3. The directors of *Merchant Motors Ltd* will recruit new employees to make the new motor vans and commercial vehicles.

The new employees will go on the induction training course of *Merchant Motors Ltd*. The course takes place at the company's Head Office and lasts for 45 minutes.

On the induction training course, the new employees spend

- 20 minutes watching a video about how *Merchant Motors Ltd* was started 60 years ago
- 15 minutes touring the Head Office of *Merchant Motors Ltd* (they do not visit the factory floor)
- 10 minutes meeting the Personnel (Human Resources) Manager.

- (a) Evaluate the likely effectiveness of this induction training for the new employees.

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Two business objectives for *Merchant Motors Ltd* are

- to have a 5% market share of the commercial vehicle market in the United Kingdom by the end of 2012
- to improve profitability.

(b) (i) Show **two** ways that *Merchant Motors Ltd* might gain a 5% market share of the commercial vehicle market in the United Kingdom.

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