

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Tuesday 4 June 2019 – Afternoon

GCSE (9–1) Business

J204/02 Business 2: operations, finance and influences on business

**Time allowed: 1 hour 30 minutes
plus your additional time allowance**

**YOU MAY USE:
a calculator**

Please write clearly in black ink.

Centre number

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Candidate number

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First name(s) _____

Last name _____

READ INSTRUCTIONS OVERLEAF



INSTRUCTIONS

Use black ink.

Sections A and B: answer ALL the questions.

Write your answer to each question in the space provided.

Additional paper may be used if necessary, but you must clearly show your candidate number, centre number and question number(s).

INFORMATION

The total mark for this paper is 80.

The marks for each question are shown in brackets [].

Quality of extended response will be assessed in questions marked with an asterisk (*).

SECTION A

Answer ALL the questions.

- 1 A customer comes into a travel agency to book a holiday to Australia. An assistant serves the customer.**

Which of the following is this an example of? [1]

- A Face to face selling**
- B International branding**
- C Sales promotion**
- D Telesales**

Your answer

- 2 Taj is a finance assistant. He works in a secondary school.**

Which one of the following tasks would be done by Taj? [1]

- A Creating educational resources**
- B Keeping the school website up to date**
- C Producing reports on the school's GCSE results**
- D Providing financial data on school energy usage**

Your answer

☐

- 3 Consumer law requires shops to sell goods which are:**

- A environmentally friendly**
- B of satisfactory quality**
- C reasonably priced**
- D unique**

Your answer

☐

[1]

4 Choosing which supplier to use is a:

- A marketing decision**
- B pricing decision**
- C procurement decision**
- D sales decision**

Your answer ☐ **[1]**

5 Financial data for Pluck and Grow Ltd in 2018 is shown below.

Total revenue	£68 000
Total labour costs	£26 000
Total material costs	£16 000
Other costs	£10 000

In 2018 Pluck and Grow Ltd made:

- A a loss of £52 000**
- B a loss of £42 000**
- C a profit of £16 000**
- D a profit of £26 000**

Your answer ☐ **[1]**

6 A supermarket decides to extend its opening hours.

The supermarket is likely to need:

- A a longer supply chain**
- B fewer staff**
- C lower quality products**
- D reliable suppliers**

Your answer ☐ **[1]**

7 Which of the following is a limitation of break-even analysis? [1]

- A It cannot be used to estimate the profit a business is likely to make**
- B It cannot factor in seasonal pricing and price discounts**
- C It cannot show how much a business needs to sell to cover its costs**
- D It cannot show the level of profit or loss at a range of outputs**

Your answer ☐

- 8 The transport costs of Global Logistics United plc (GLU plc) for the last five years are shown below.**

Mode of transport:	By road	By rail	By air
2014	£150 000	£350 000	£600 000
2015	£160 000	£370 000	£620 000
2016	£170 000	£390 000	£635 000
2017	£180 000	£410 000	£640 000
2018	£190 000	£430 000	£650 000

The data shows that:

- A the company prefers to transport its goods by air**
- B the company's transport costs have fallen year on year**
- C GLU plc spent more than £1.25 million on transport costs in 2018**
- D GLU plc transports more goods by rail than by road**

Your answer ☐ **[1]**

- 9 The finance department has forgotten to authorise the purchase of a large order of raw materials.**

Which of the following is a likely consequence of this? [1]

- A More marketing will be needed**
- B Production may be delayed**
- C Sales will increase**
- D Storage costs will increase**

Your answer

10 An extract from Pasha's Carpets' cash flow forecast for August 2019 is shown below.

	August
	£
Total inflow	44 000
Total outflow	45 500
Net cash flow	
Opening balance	-1100
Closing balance	-2600

Pasha's Carpets' net cash flow for August 2019 is expected to be:

A -£3700

B -£1500

C £1500

D £3700

Your answer **[1]**

11 A tinned-soup manufacturer is considering extending its product range to include fresh soups.

Which one of the following is NOT likely to encourage the shareholders to vote for this extension to the product range? [1]

- A The opportunity to combine ingredient costs and make higher profits**
- B The opportunity to gain a reputation for producing healthy meals**
- C The opportunity to have more customers than other soup manufacturers**
- D The opportunity to increase the financial risks of the business**

Your answer

☐

- 12 A manufacturer makes chocolate bars. All of the chocolate bars are passed through a machine to check for production mistakes before being boxed.**

This is an example of:

- A product development**
- B product recall**
- C quality assurance**
- D quality control**

Your answer ☐ **[1]**

- 13 Exobike made a gross profit of £9996 from selling 42 exercise bikes at £350 each.**

What was Exobike's gross profit margin? [1]

- A 68%**
- B 147%**
- C £4704**
- D £14700**

Your answer ☐

14 Coconut Life uses e-commerce to sell its range of innovative coconut products.

Which of the following will NOT improve customer engagement? [1]

- A Training staff on the benefit of coconuts**
- B Only selling products that have been certified as organic**
- C Sending carefully worded personalised emails to interested customers**
- D Sending text messages to all previous customers about the benefits of coconut oil**

Your answer

☐

15 Falling levels of consumer income have caused a car dealership to experience a significant reduction in retail sales.

Which one of the following actions should the car dealership take to help increase its sales during a period of falling consumer income? [1]

- A Advertise less**
- B Offer price reductions**
- C Reduce customer engagement**
- D Reduce its costs**

Your answer

SECTION B

Answer ALL the questions.

16

TEXT 1

Costa Coffee

Costa Coffee is a British multinational coffee shop company owned by Coca-Cola. It is the second largest coffeehouse chain in the world behind Starbucks, and the largest in the UK. It has over 2100 branches in the UK and over 1200 branches in the rest of the world including Dubai, China and Poland.

Costa Coffee has recently opened a new branch in Welshpool. It is located in the town centre on the high street near lots of other businesses, including offices and shops. There were only two other coffee shops in the town before they opened.

Costa Coffee takes ethics very seriously and it has switched to environmentally-friendly coffee beans to make its supply chain more sustainable. Now all its stores worldwide use beans from Rainforest Alliance-certified suppliers, who meet ethical and environmental standards for the sustainable supply of coffee beans.

In order to be successful, Costa Coffee sells a wide range of products and constantly invests in updating this product range as well as refurbishing its shops. Recently it has invested heavily in updating its computer software to assist its many functional areas such as finance.

- (a) (i) State TWO environmental considerations for a business.**

Consideration 1 _____

Consideration 2 _____

[2]

- (ii) Analyse ONE advantage to Costa Coffee of being a sustainable business.**

_____ **[3]**

(b) Explain TWO possible reasons why Costa Coffee uses coffee beans from Rainforest Alliance-certified coffee suppliers.

Reason 1

Reason 2

[4]

(c) Explain ONE impact on Costa Coffee employees of the business investing in updating computer software.

[2]

- (d) (i) Identify TWO factors that influence the location of a business.

Factor 1 _____

Factor 2 _____

[2]

[illegible]

TEXT 2**SP Dry Cleaners**

Stuart and Pippa own a dry cleaning and launderette business called SP Dry Cleaners (SP). The tables below show the monthly variable costs for SP in 2017 and 2018.

Table 1

Monthly variable costs 2017 £4400	
Soap powder	10%
Wages	40%
Dry cleaning chemicals	20%
Packaging	10%
Water	20%

Table 2

Monthly variable costs 2018 £5500	
Soap powder	15%
Wages	35%
Dry cleaning chemicals	20%
Packaging	5%
Water	25%

Stuart and Pippa are looking to expand into clothing repair and have investigated two sewing repair businesses, HD Sewing and Fast Stitch, for sale. Pippa has stated she wants to see her investment in the sewing repair business returned within **FIVE YEARS**. Stuart has collected the following information on the two businesses.

Table 1 Financial data for HD Sewing and Fast Stitch

	HD Sewing	Fast Stitch
Purchase price of the business	£80 000	£65 000
Sales revenue per year	£90 000	£82 500
Net profit per year	£25 000	£22 000
Average rate of return	?	13.8%

(a) Identify ONE fixed cost a business could have.

_____ **[1]**

(b) (i) Explain what is meant by 'variable costs'.

_____ **[2]**

(ii) Calculate how much SP spent on wages in 2018.

Show your workings.

Answer £ _____ [2]

- (iii) Analyse ONE change in SP's dry cleaning chemical costs between 2017 and 2018. Refer to Pie charts 1 and 2 in your answer.

[3]

- (c) Calculate SP's Average Rate of Return (ARR) on the purchase of HD Sewing.

Show your workings.

Answer _____ % [3]

- (d) (i) Analyse ONE reason why SP should buy HD Sewing. Refer to data from Table 1 in your answer.**

[3]

- (ii) Analyse ONE reason why SP should buy Fast Stitch. Refer to data from Table 1 in your answer.

[3]

- (iii) Recommend whether SP should buy HD Sewing or Fast Stitch to expand their business. Refer to data from Table 1 to support your judgment.**

[3]

TEXT 3**Marks and Spencer plc**

Marks and Spencer (M&S) is one of the UK's leading retailers. It is committed to making every moment special for its customers, through its high quality, own-brand food, clothing & home products.

M&S has an ethical programme called 'Plan A'. This was relaunched in 2017 with three new objectives for 2025:

- 1. 'Nourishing our wellbeing' – including looking after staff and their needs.**
- 2. 'Transforming local communities' – including supporting staff who want to volunteer in charities.**
- 3. 'Caring for the planet we share' – including developing better recycling for packaging.**

In 2017, 60% of M&S's revenue came from the sale of food, which it sells through its 1025 UK stores as well as through e-commerce on its website.

The majority of the food it sells comes from one of its 283 'food factories' located around the country. The Montana Bakery is one of these factories. It produces speciality breads, rolls, garlic breads and pizza bases for retailers and sandwich makers. The bakery has grown and has moved to a larger factory, where it is considering switching from batch production to flow production and automating some of the production.

(a) Identify ONE disadvantage to M&S of selling its food using e-commerce.

[1]

(b) Analyse how M&S's 'Plan A' ethical programme may impact on the profitability of the business.

[3]

(c) Analyse ONE reason why quality is important to M&S.

[3]

(d) (i) Analyse ONE advantage and ONE disadvantage to the Montana Bakery of switching from batch production to flow production in the new factory. [6]

[illegible]

- (ii) Recommend whether the Montana Bakery should switch from batch production to flow production in the new factory.**

[3]

- (e)* Evaluate how the ethical treatment of workers may have an impact on the motivation and retention of M&S's staff. [9]**

[illegible]

END OF QUESTION PAPER



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