

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**

**Tuesday 2 June 2020 – 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 CAN 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.**

**Write your answer to each question in the space provided. You can use extra paper if you need to, but you must clearly show your candidate number, the centre number and the question numbers.**

**Answer ALL the questions.**

## **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 (\*).**

## **ADVICE**

**Read each question carefully before you start your answer.**

## **SECTION A**

**Answer ALL the questions.**

**1 Which of the following tasks is NOT a finance function? [1]**

- A Advertising price reductions**
- B Applying for a bank loan**
- C Calculating break-even**
- D Measuring profit and loss**

**Your answer** ☐

**2 Which of the following issues is climate change an example of? [1]**

- A A financial issue**
- B A quality control issue**
- C An economic issue**
- D An environmental issue**

**Your answer** ☐

**3 A manufacturer is experiencing a range of problems.**

**Which of the following problems would be classed as a 'liquidity problem'? [1]**

- A A breakdown on the production line**
- B Being short of funds to pay suppliers**
- C Experiencing high levels of wastage during the production process**
- D Having insufficient financial information to make business decisions**

**Your answer** ☐

**4 A company's total costs are too high. The finance manager advises that this is being caused by increasing wage costs as the company expands.**

**Which one of the following actions would provide a long term solution to this problem? [1]**

- A Applying for an overdraft**
- B Automating the production process**
- C Employing a finance assistant**
- D Switching to job production**

**Your answer** ☐

**5 A business will make a profit if it:**

- A ends the year with a positive bank balance**
- B exceeds its break-even quantity**
- C has costs that are greater than its revenues**
- D pays off all of its debts**

**Your answer** ☐ **[1]**

**6 Which of the following is a short-term source of finance suitable for a new business? [1]**

- A Retained profit**
- B Sale of business assets**
- C Share issue**
- D Trade credit**

**Your answer** ☐

- 7 A company's total costs in 2019 were £9 million. The company's labour costs were 40% of the company's total costs.**

**The company's labour costs in 2019 were:**

- A £3.6 million**
- B £5.4 million**
- C £12.6 million**
- D £14.4 million**

**Your answer** ☐ **[1]**

- 8 Variable costs:**

- A are not affected by changes in output**
- B fall as output rises**
- C increase as output rises**
- D remain constant over time**

**Your answer** ☐ **[1]**

**9 A customer has ordered an electric shower from a plumbing firm.**

**By law, the plumbing firm must:**

- A charge a lower price than other plumbers**
- B fit the shower without turning the water off**
- C supply a shower that meets current safety standards**
- D use an environmentally friendly supplier**

**Your answer** ☐ **[1]**

**10 Following recent financial success, a business has decided to double the size of its workforce.**

**This decision will significantly increase the workload of the:**

- A finance function because new recruits need to be trained**
- B human resources function because applicants need to be interviewed**
- C marketing function because person specifications need to be produced**
- D purchasing function because contracts of employment need to be issued**

**Your answer** ☐ **[1]**



- 11 A furniture maker intends to purchase a new wood cutting machine. The expected cost and incomes generated by the machine for the next three years are shown in the table below.**

<b>Cost of machine</b>	<b>£6000</b>
<b>Income year 1</b>	<b>£3000</b>
<b>Income year 2</b>	<b>£3000</b>
<b>Income year 3</b>	<b>£3000</b>

**The expected average rate of return for this purchase is:**

- A £1000**
- B £3000**
- C 16.67%**
- D 33.33%**

**Your answer**  **[1]**

**12 An extract from Pete's Pet Shop's cash flow forecast for July is shown below.**

	<b>JULY</b>
<b>TOTAL CASH INFLOW</b>	<b>£6900</b>
<b>TOTAL CASH OUTFLOW</b>	<b>?</b>
<b>NET CASH FLOW</b>	<b>–£605</b>
<b>OPENING BALANCE</b>	<b>£3000</b>
<b>CLOSING BALANCE</b>	<b>£2395</b>

**What is Pete's Pet Shop's estimated total cash outflow for July? [1]**

**A   £3900**

**B   £6295**

**C   £7505**

**D   £9295**

**Your answer**

**13 The concept of 'quality' refers to making products:**

- A by hand**
- B of a satisfactory standard**
- C that are better than the leading brand**
- D to the highest possible specification**

**Your answer** ☐ **[1]**

**14 A business finds it relatively easy to gain customers but has great difficulty retaining these customers.**

**Which aspect of the business is MOST likely to need improving? [1]**

- A After-sales service**
- B E-commerce**
- C Marketing**
- D Procurement**

**Your answer** ☐

**15 Finance performance data for Pico Ltd over the last three years is shown in the table below.**

	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Revenue</b>	<b>£3.1 million</b>	<b>£3.3 million</b>	<b>£3.5 million</b>
<b>Cost</b>	<b>£2.9 million</b>	<b>£2.9 million</b>	<b>£2.9 million</b>

**According to the table, which of the following MUST be true? [1]**

- A Pico Ltd has improved its market share**
- B Pico Ltd has decreased its prices year on year**
- C Pico Ltd has made a profit in all three years**
- D Pico Ltd has not paid its variable costs**

**Your answer** ☐

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## **SECTION B**

**Answer ALL the questions.**

**16**

### **TEXT 1**

#### **John Lewis & Partners**

**John Lewis & Partners (JLP) is a chain of department stores that stocks a wide range of products from clothing to home furnishings. As a result it is always looking for high quality suppliers for its products.**

**JLP uses face-to-face selling in its stores. Staff in the electrical department are trained to have good product knowledge. These products include a wide range of computers, televisions and washing machines. However, JLP's recent growth has come from e-commerce.**

**JLP has a wide range of suppliers. It is important that the right supplier is chosen, so JLP will take time evaluating new suppliers and will review existing suppliers regularly so that it can continue supplying high quality products to its customers.**

- (a) (i) Explain ONE reason why quality is important to a business in the production of goods.**

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**[2]**

- (ii) JLP's electrical department staff have good product knowledge. Analyse ONE positive impact of this on the quality of JLP's customer service.**

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**[3]**

**(b) Explain ONE role of procurement within JLP.**

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[2]

**(c) Explain TWO possible advantages to JLP of using e-commerce.**

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[4]



**(d) (i) Identify TWO factors that affect the supply decisions made by a business.**

**1** \_\_\_\_\_

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**2** \_\_\_\_\_

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**[2]**

**(ii) Evaluate factors that may have influenced JLP when choosing which suppliers to use. [7]**

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## TEXT 2

## Luxury Cushions

Elizabeth owns a small business, Luxury Cushions (LC), making and selling quality cushions. She sells these to retail shops and direct to the public over the internet. When she first started, Elizabeth used social media to get herself well known. Her business really became successful when she sent some cushions to celebrities and they posted them on their Instagram accounts. Elizabeth regularly communicates to her 10000 Instagram followers when she has new designs to sell.

In 2019 LC earned £150 000 in revenue and had a gross profit of £118 000 and a net profit of £56 800. Elizabeth has provided the following financial information:

TABLE 1 — Financial data for LC

Cushions made and sold in one month	Fixed costs each month	Average Selling price	Cost of each cushion filling	Cost of each cushion cover	Wage paid per cushion made
250	£7440	£50	£3	£6	£10

Elizabeth has the opportunity to expand her business by taking over a competitor and moving into larger premises. One of her customers suggested that she could use crowdfunding to raise the £30 000 she needs. However, Elizabeth thinks that she might be better using a bank loan. Even though she would need to pay interest on the loan, her stable cash flow forecast shows she should be able to afford it.

**(a) Identify ONE reason, other than expansion, why a business may need to raise finance.**

\_\_\_\_\_

\_\_\_\_\_ **[1]**

**(b) (i) Calculate the break-even point for LC.**

**Show your workings.**

**Answer:** \_\_\_\_\_ **[3]**

**(ii) Analyse ONE way Elizabeth could use her break-even data.**

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**[3]**

**(c) (i) Calculate the gross profit margin for 2019.**

**Show your workings.**

**Answer: \_\_\_\_\_ [2]**

**(ii) Calculate the net profit margin for 2019.**

**Show your workings.**

**Answer: \_\_\_\_\_ [2]**

- (d) (i) Analyse ONE advantage and ONE disadvantage to Elizabeth of using crowdfunding to finance the takeover.

**Advantage**

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**Disadvantage**

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- (ii) Recommend whether Elizabeth should use crowdfunding or a bank loan to finance the takeover.**

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**[3]**

**TEXT 3****Aston Martin plc**

**Aston Martin plc (AM plc) is a British manufacturer of luxury sports cars. It has more than 150 car dealerships in over 50 countries on six continents. Its globalised supply chain includes suppliers from the UK, EU and across the world. The company is also expanding its brand to include speed boats, submarines and property development.**

**Its headquarters and the main production site are centrally located in Warwickshire, England, on the site of a former RAF airbase. It employs over 3000 workers on this site, who are highly skilled engineers and who produce each car using the most up-to-date machinery. When the cars are finished, they are then transported from central England all over the UK and beyond. The demand for AM plc products is influenced by many factors, including UK unemployment rates and consumer income levels.**

**Look at the tables opposite.**

**AM plc is proud of its commitment to the environment, which includes trying to produce goods sustainably. It also considers ethical issues in its decision making.**

- (a) State ONE ethical consideration a business may need to consider.**

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**[1]**

**TABLE 1****UK unemployment rate**

<b>Year</b>	<b>Percentage</b>
<b>2013</b>	<b>7.5</b>
<b>2014</b>	<b>6</b>
<b>2015</b>	<b>5.5</b>
<b>2016</b>	<b>5</b>
<b>2017</b>	<b>4.5</b>
<b>2018</b>	<b>4</b>

**TABLE 2****Average UK consumer income**

<b>Year</b>	<b>£</b>
<b>2013</b>	<b>30,000</b>
<b>2014</b>	<b>30,000</b>
<b>2015</b>	<b>31,500</b>
<b>2016</b>	<b>31,750</b>
<b>2017</b>	<b>32,000</b>
<b>2018</b>	<b>32,250</b>

**(b) Analyse ONE method of sustainable production that AM plc could use.**

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**[3]**

**(c) Analyse ONE possible factor that AM plc may have considered when choosing the location of its main production site.**

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**[3]**

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**(iii) Recommend whether the change in the unemployment rate or the change in consumer income levels will have the greatest impact on AM plc.**

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