Please write clearly in block capitals.

Centre number

Candidate number

Surname

Forename(s)

Candidate signature

I declare this is my own work.

GCSE
BUSINESS

Paper 2 Influences of marketing and finance on business activity

Time allowed: 1 hour 45 minutes

Materials

For this paper you must have:
- a calculator.

Instructions
- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this answer book. Cross through any work you do not want to be marked.

Advice
- The marks for each question are shown in brackets.
- The maximum mark for this paper is 90.

For Examiner's Use	
Section	Mark
A	
B	
C	
TOTAL	

Section A

Answer **all** questions in the spaces provided.

For questions with four responses, only **one** answer per question is allowed.

For each answer, completely fill in the circle alongside the appropriate answer.

CORRECT METHOD   WRONG METHODS

If you want to change your answer you must cross out your original answer as shown.

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

0 1 . 1 Free gifts are an example of which type of marketing activity?

[1 mark]

A Advertising

B Public relations

C Sales promotion

D Sponsorship

0 1 . 2 An increase in interest rates would be which type of change?

[1 mark]

A Economic

B Environmental

C Legal

D Technical

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0 1 . 3 Which term describes the sales of one business as a proportion of the total sales of the market?

[1 mark]

A Market growth ⬭

B Market research ⬭

C Market share ⬭

D Market size ⬭

0 1 . 4 Which section of a statement of financial position would include long-term loans?

[1 mark]

A Current assets ⬭

B Current liabilities ⬭

C Non-current assets ⬭

D Non-current liabilities ⬭

0 1 . 5 Which of these is an example of a business in the secondary sector?

[1 mark]

A Accountant ⬭

B Fisherman ⬭

C Furniture maker ⬭

D Website designer ⬭

Question 1 continues on the next page

0 1 . 6 Which of the following is a definition of average rate of return?

[1 mark]

A An estimate of the money coming into and going out of a business each month. ⬭

B The amount that the current level of production is greater than the expected level of output. ⬭

C The average profit for the year as a percentage of the original investment. ⬭

D The difference between average revenue and total costs. ⬭

0 1 . 7 Identify **two** channels of distribution used by businesses.

[2 marks]

1 ______________________________

2 ______________________________

0 1 . 8 Explain **one** factor that would influence the selection of the promotional mix.

[2 marks]

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0 1 . 9 Explain **one** reason why it is important for a business to identify customer needs.

[2 marks]

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0 1 . 10 All businesses must follow the law. Explain **one** negative impact for a business if it fails to follow the law.

[2 marks]

0 1 . 11

Table 1 Extract from a statement of financial position

	£
Non-current assets	
Buildings & equipment	440 000
Current assets	
Inventories	70 000
Cash	34 000
Total assets	544 000

Since the data in **Table 1** was produced, the value of inventories has decreased by 20%. The value of all other assets has stayed the same.

Calculate the new **total assets** figure.

[2 marks]

Question 1 continues on the next page

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0 1 . 12 State and explain **two** categories of the Boston Matrix.

[4 marks]

Category 1 ______________________________

Explanation ______________________________

____

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Category 2 ______________________________

Explanation ______________________________

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Section B

Answer **all** questions in the spaces provided.

0 2 **Item A: Swiftly Services**

Ellie Swift is the owner of Swiftly Services. She always dreamed of running her own business as she wanted to be her own boss and make her own decisions. Swiftly Services offers a wide range of home services, from unblocking sinks to painting and decorating.

Ellie's parents agreed to lend her the money she needed to start up her business interest free. They had an informal agreement that she would pay them back what she could afford each month.

Table 2 Cash Flow Forecast for Swiftly Services

	February	**March**	**April**	**May**
	£	**£**	**£**	**£**
Cash inflows	2 000	2 300	2 800	3 300
Cash outflows	20 300	800	1 100	1 450
Opening balance	15 000	(3 300)	(1 800)	(100)
Closing balance	(3 300)	(1 800)	(100)	

After running Swiftly Services from February to May, Ellie was pleased to see that her cash flow forecast had been accurate. However, Ellie's parents have unexpectedly asked her to repay £1000 a month, starting in June, as they are moving to a new house and need the money quickly.

Ellie's parents are now concerned about how soon they will get their money back. They have told Ellie that she should expand her portfolio of services and provide gardening services over the summer months. Gardening services would include mowing lawns, planting and weeding. They have forecast that this could bring in an extra £1000 cash inflow per month. However, to start offering these services, Ellie would need to spend £2000 on gardening equipment. This would increase her cash outflows. She would also need to hire someone to help her do the extra work.

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0 2 . 1 Identify **two** stakeholders of a business.

[2 marks]

1 ______

2 ______

0 2 . 2 Using **Item A**, explain **one** disadvantage to Ellie of using money borrowed from her parents to set up Swiftly Services.

[4 marks]

______

______

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______

0 2 . 3 Using **Table 2**, calculate the closing balance for May on the cash flow forecast.

State the formula for the closing balance and show your workings.

[3 marks]

Formula ______

______

Workings ______

______

______

______

______

Answer £ ______

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0 2 . 4 Ellie is considering offering gardening services in June, July and August.

Recommend whether offering gardening services will improve the long-term future cash flow at Swiftly Services. Give reasons for your recommendation.

[9 marks]

Extra space

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Question 2 continues on the next page

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Item B: Swiftly Services

Ellie has decided to offer gardening services. There are already a lot of businesses offering home and gardening services in Ellie's local area. Many of these businesses have loyal customers. Ellie has decided to segment her market and will focus on the family market. She has a lot of friends with children and understands what type of garden families want. To attract families with children, Ellie's gardening services will include creating play areas for children, vegetable patches and BBQ patio areas.

Ellie would like to use leaflets to advertise her gardening services. Ellie has designed a leaflet herself that has a bright, fun design and includes images of play areas and vegetable patches to show families how their gardens could look.
Ellie will offer a special discount to anyone who books using a code on the leaflet.
Ellie's parents think it would be better if she put an advert in the local newspaper which is read by around 8000 people every day. The newspaper has a 'Family Fun' section each week where local businesses targeting families often advertise.
It would cost £150 each week for a minimum of four weeks to place a black-and-white advert in the local newspaper.

0 2 . 5 Ellie estimates that her weekly revenue from the gardening services will be £1320. Cost of goods sold, eg plants, will be £528. Other expenses are £396.

Calculate the **gross profit margin** for the gardening services.

[2 marks]

Answer ______ %

Do not write outside the box

0 2 . 6 Ellie is planning to segment her market and focus on families with children.

Analyse **one** benefit for Swiftly Services of using segmentation in a competitive market.

[6 marks]

Question 2 continues on the next page

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0 2 . 7 Ellie is considering using professionally printed leaflets to promote the new gardening services. It will cost 15p to print a colour leaflet. The minimum order is 2000 leaflets.

Recommend whether Ellie should use leaflets to promote the new gardening services. Give reasons for your recommendation.

[9 marks]

Extra space

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Section C

Answer **all** questions in the spaces provided.

0 3 **Item C: BEco Bottle**

Reusable drinks bottles are becoming more popular. Jake Webb is a product designer. A couple of years ago, Jake noticed that young people wanted to drink cold water on the go without having to buy single-use plastic bottles. He thought there was a gap in the market for lightweight, stylish bottles.

Last year, Jake developed a product he called the BEco Bottle. He bought some second-hand equipment to begin manufacturing bottles. The equipment can only produce small quantities meaning the unit cost per bottle is high. Jake has had to turn down orders with tight deadlines because production is so slow. Jake has also struggled to find a supplier who can provide the materials in the small quantities he needs. He eventually found a supplier, but it was unwilling to negotiate on the price.

When he set up his business, Jake used the Internet to collect secondary market research for his business plan. He used an Internet search engine to try and find up-to-date information to support his idea. Jake found a market research report from three years before. The report did not focus on Jake's target market and he did not recognise the name of the company that had conducted the research. However, it did help him identify sales figures and trends for reusable bottles.

0 3 . 1 Explain **one** characteristic of the growth stage of the product life cycle.

[2 marks]

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0 3 . 2 Using **Item C**, explain **one** type of economy of scale that might benefit Jake's business as it grows.

[4 marks]

0 3 . 3 Jake used the Internet to collect secondary market research for his business plan.

Analyse **one** disadvantage of Jake using the information he gathered from his Internet research.

[6 marks]

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Item D: BEco Bottles

The development of the BEco Bottle was very expensive so Jake used a price skimming strategy to recover his costs. However, competitors have recently launched very similar bottles and are selling these at a lower price. Jake has found out that 90% of people identify price as the most important factor when making a purchase.

0 3 . 4 Jake is considering changing his pricing strategy from price skimming to competitive pricing.

Analyse **one** benefit for Jake's business of using a competitive pricing strategy.

[6 marks]

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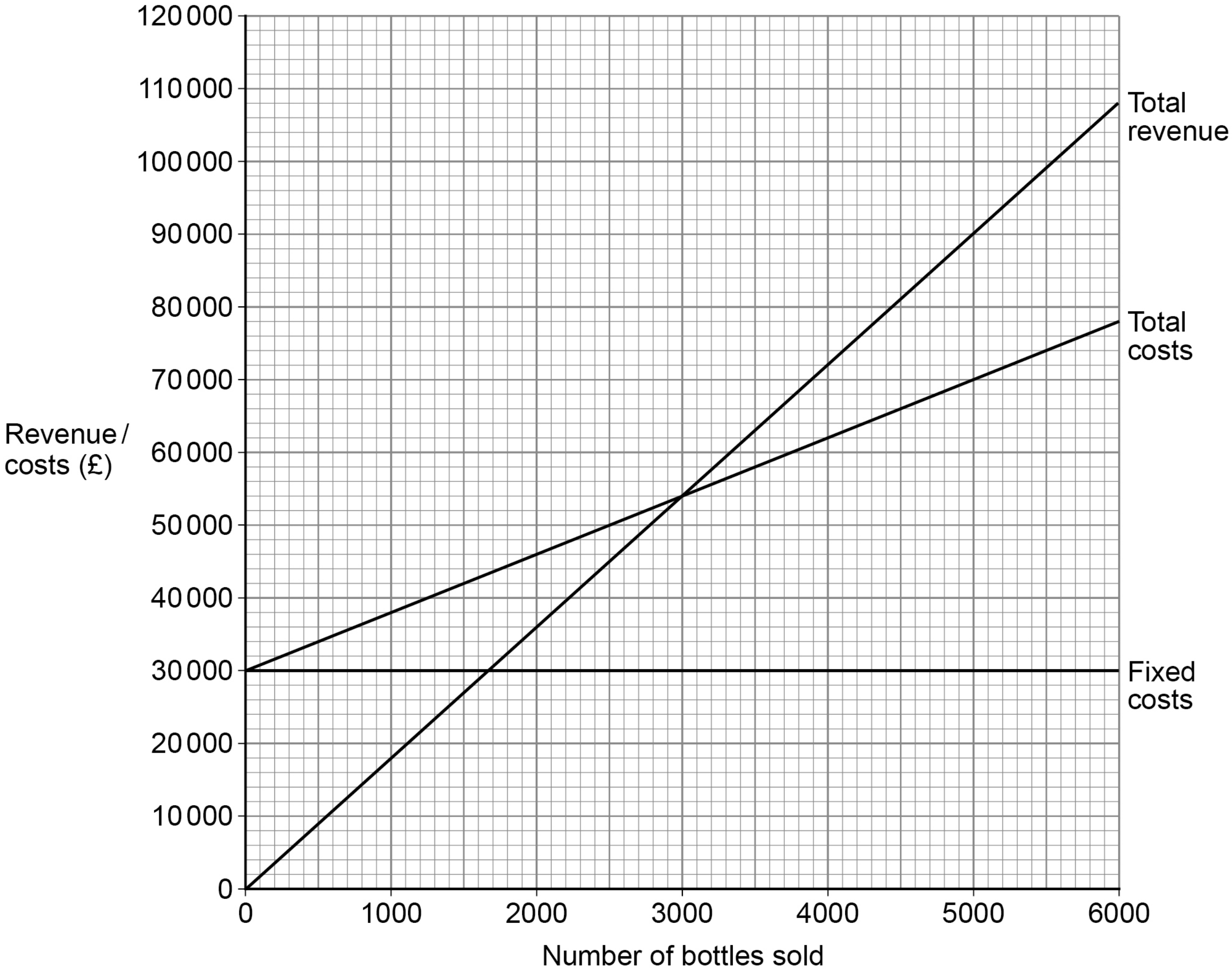
Figure 1 BEco Bottle break-even chart at current selling price



0 3 . 5 To remain competitive, Jake has reduced the price of the BEco Bottle. At this new price, the level of sales and his costs remain the same. If Jake sells 5000 bottles, total revenue falls from £90 000 to £75 000.

Using **Figure 1**, calculate the fall in **profit** as a **percentage** if Jake sells 5000 bottles at the new lower price.

State the formula for net profit and show your workings.

[5 marks]

Formula ______________________________

____

Workings ______________________________

____

____

Answer ______________ %

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Item E: BEco Bottle

Jake is planning to redesign the original BEco Bottle to make it appeal to the sports and fitness market. Retailers are keen to stock the sports bottle if the design and price are right.

Jake does not currently have enough equipment to manufacture both the original BEco Bottle and the new sports bottle. The new equipment needed would cost £20 000 to buy and Jake cannot afford this.

Although Jake has always used the fact that the BEco Bottle is produced in the UK in his advertising, one solution is to outsource production of the sports bottle to India. He has found a manufacturer in India who can offer a short-term contract and is able to use cheaper labour and materials. This means the sports bottle can be produced for 50% less than it costs in the UK. However, the manufacturer has asked Jake to remove some of the design features from the sports bottle, so it is easier to produce.

An alternative option is for Jake to use hire purchase to buy the equipment he needs and produce the sports bottle in his current factory. This would allow Jake to pay for the equipment in monthly instalments. However, it will take Jake four years to pay for the equipment and he will have to pay an 8% interest charge.

0 3 . 6 Jake wants to target a new BEco Bottle at sports people and needs to increase production. He is considering **two** options to achieve this:

- outsource production of the sports bottle to India
- use hire purchase to buy the new equipment to manufacture the sports bottle in his existing factory.

Analyse the effect of **each** of these **two** options for the business.

Evaluate which of these **two** options will have the bigger impact on the future success of the sports bottle.

[12 marks]

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