

Surname	Centre Number	Candidate Number
Other Names		2

GCE AS – NEW AS



B510U10-1



S16-B510U10-1



BUSINESS – Component 1
Business Opportunities

P.M. THURSDAY, 19 May 2016

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	10	
2.	16	
3.	10	
4.	14	
Total	50	

ADDITIONAL MATERIALS

In addition to this paper you may require a calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Write your answers in the spaces provided in this booklet.

If you run out of space, use the continuation page at the back of the booklet, taking care to number the question(s) correctly.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

You are reminded of the necessity for good English and orderly presentation in your answers.

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

1. **Cakes by Dominic**



Dominic has been helping his grandmother run a small-scale business from her home making celebration cakes for special occasions such as birthdays and weddings. She helped him develop his cake-making skills which he further improved by completing a catering course at a local college.

His grandmother wants to retire and let Dominic take over the business as Dominic has always wanted to become an **entrepreneur**. He is very passionate about what he does and is grateful to her as there are very few job opportunities in the area. He has recently inherited a large sum of money from another relative and wants to expand the business by setting up a small cake shop in his local town centre which is busy with local trade. Apart from a small local bakery, there is no other competition in the area that specialises in celebration cakes. Dominic is very optimistic about the future success of the business and hopes that his initial investment will give a good return.

(a) Outline **two** motives Dominic might have for wanting to become an *entrepreneur*. [4]

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(b) Suggest **two** factors that Dominic may have taken into account when deciding where to locate his cake shop **and** explain the effects these will have on his business. [6]

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2. Serendipity Ltd

Joy Daniels heads Serendipity Ltd, an established medium-sized retail business that sells high-end outdoor clothing and equipment. The business seeks to emphasise quality as well as respect for the environment. The company has 20 outlets in cities across the UK and also trades online.

Joy wishes to expand her business and believes she needs to take greater advantage of **market segmentation**. She intends to introduce new specialist ranges for women and children as well as looking at other sports such as cycling, sailing and skiing. She is also considering turning the company into a **public limited company** by floating it on the Stock Exchange.

- (a) (i) Explain the meaning of the term *market segmentation*.

[2]

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- (ii) Evaluate the importance of *market segmentation* to Serendipity Ltd and its customers.

[6]

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(b) Discuss whether or not Serendipity Ltd should become a *public limited company* (PLC). [8]

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3. Soaps by Maria

Maria started a business two years ago in her kitchen making handmade soaps using organic materials. At first Maria had little experience of running a business but now her products have become very popular in this **niche market**.

Maria's organic soaps sell for £5 a bar. She estimates that her fixed costs for the year will be £1 000 and variable cost will be £2.50 per bar. She plans to produce and sell 1 000 bars.

- (a) Explain the meaning of the term *niche market*. [2]

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- (b) Use the information above to calculate the:

- (i) Fixed Cost if output is 1 000 [1]
 (ii) Variable Cost if output is 1 000 [1]
 (iii) Total Cost if output is 0 [1]
 (iv) Total Revenue if output is 600 [1]

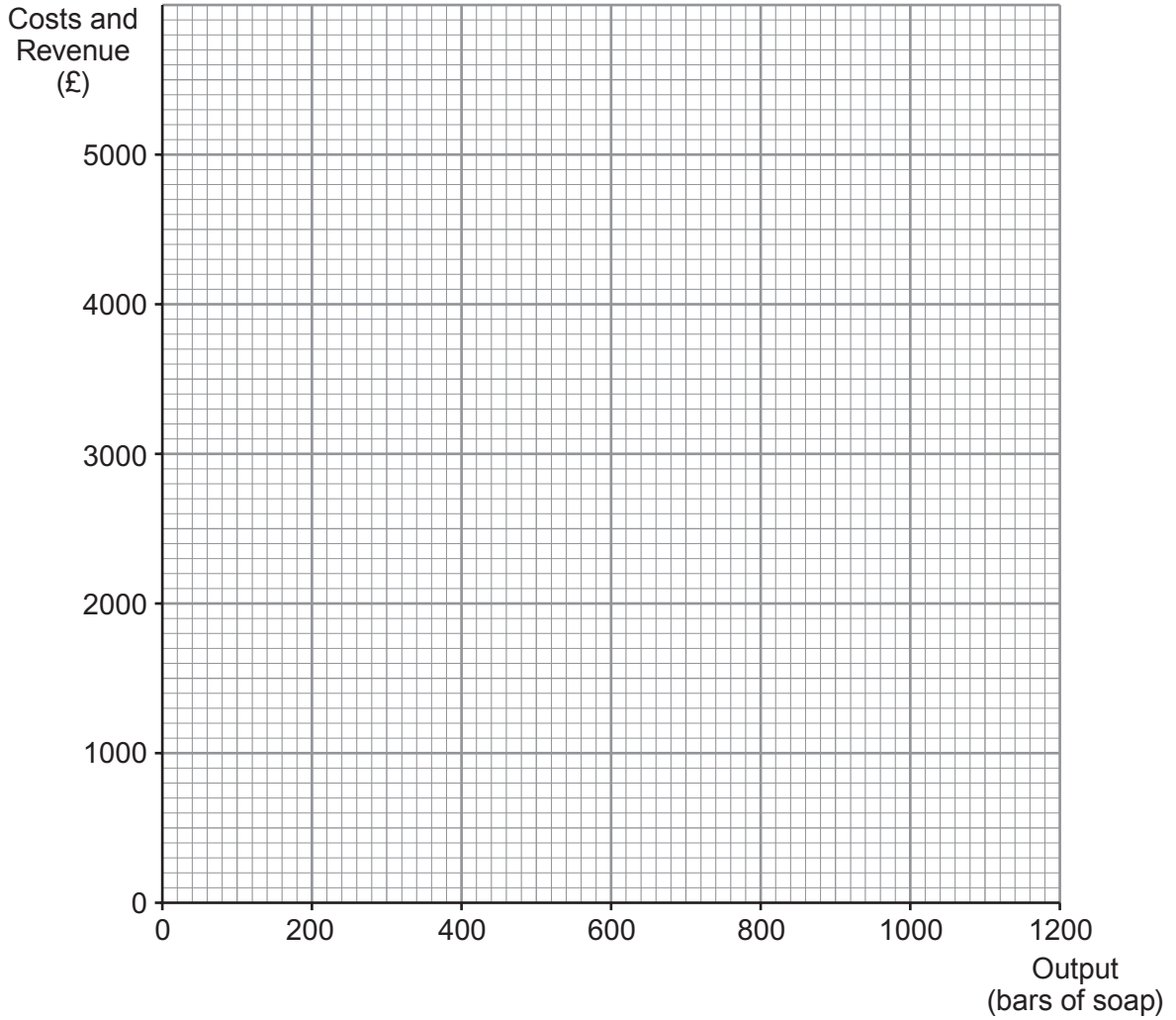
Write your answers in the correct spaces in the table below:

Output	0	600	1 000
Fixed Cost	£1 000	£1 000	(i)
Variable Cost	£0	£1 500	(ii)
Total Cost	(iii)	£2 500	£3 500
Total Revenue	£0	(iv)	£5 000

(c) Construct and label a break-even chart on the graph paper below.

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[3]

Break-even chart of Maria's Soaps



(d) How many bars of soap would need to be sold to break-even?

[1]

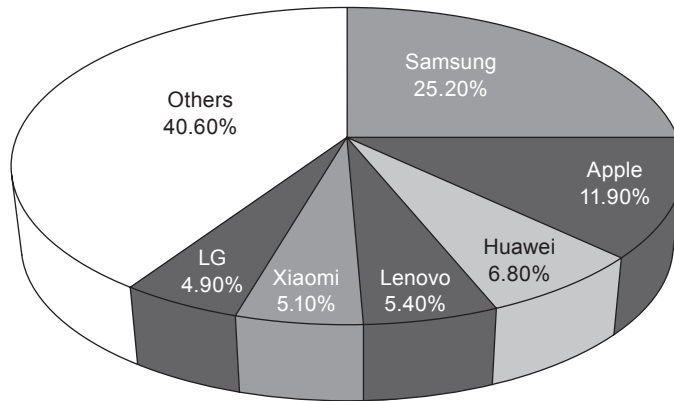
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4. The market for smartphones is an **oligopoly**. At the beginning of 2012, 23% of smartphones sold worldwide were Apple iPhones but this figure fell to 11.9% at the start of 2014. Samsung, one of its rivals, was the leading mobile phone manufacturer in 2014, holding a market share of just over 25%. One reason for Samsung's success is that it conducts a great deal of **primary** and **secondary market research**.

Global Smartphone Market Share (Q2 2014)



- (a) Explain what is meant by the term *oligopoly*.

[2]

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- (b) Distinguish between *primary* and *secondary market* research using appropriate examples.

[4]

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- (c) Discuss the view that *primary research* is always likely to be of greater advantage to a business than *secondary research*. [8]

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