Centre Number			Candidate Number		
Surname					
Other Names					
Candidate Signature					



General Certificate of Secondary Education June 2014

For Examiner's Use			
Examine	r's Initials		
Question	Mark		
1			
2			
3			
TOTAL			

Business Studies

413001

Unit 1 Setting up a Business
Wednesday 21 May 2014 9.00 am to 10.00 am

You will need no other materials.

You may use a calculator.

Time allowed

• 1 hour

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.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for each question are shown in brackets.
- The maximum mark for this paper is 60.
- You are reminded of the need for good English and clear presentation in your answers. Quality of Written Communication will be assessed in questions 1(d), 2(d) and 3(c).

Answer all questions in the spaces provided.

Total for this question: 21 marks

1 Read **Item A** and then answer the questions that follow.

Item A

Colin and Ciara had noticed that many of the houses in the area where they lived looked as if they needed a coat of paint. Having just left college they wondered whether house painting was a business idea that could make them a lot of profit. They asked their parents and friends what they thought of this idea. They were advised that they should decide on a legal structure for the business such as a private limited company or a partnership.



It was suggested that they should also look at other areas. A nearby town, for example, had much larger houses owned by wealthy people. Colin and Ciara would need a small van if they chose this option and they were worried whether there might be more competition there.

In order to see whether they could borrow some money to start up the business the two friends decided to go and see the bank manager.

Source: photograph, Getty Images

(a)	Explain one benefit of setting up the business as a partnership.	[2 marks]
	(a)	(a) Explain one benefit of setting up the business as a partnership.



1	(b)	Explain how market research could be used to see if there is sufficient demand in			
		the nearby town.	[4 marks]		
		Future and an			
		Extra space			
1	(c)	Explain two factors that will influence where Colin and Ciara locate their			
		house painting business.	[6 marks]		
		Factor 1			
		Extra space			



		Factor 2
		Extra space
1	(d)	Colin and Ciara have been given the use of a van by Colin's parents but they will have to buy equipment before they start. The cost will be £1000 and they have only £500 in their savings. They will also need some finance to help their cash flow in the first few weeks of the business. Advise Colin and Ciara whether a loan or an overdraft would be more suitable. Give reasons for your advice. [9 marks]
		-



Extra space	
Extra space	



21

Total for this question: 21 marks

2 Read Item B and then answer the questions that follow.

Item B

Riding 4 All was set up to provide cheap horse riding lessons for inner city children. The children who came to the stables for the lessons thought it was wonderful and became regular customers, but overall numbers in the first year were not as good as expected.

The business has recently employed Rita as a riding instructor. Rita also has a real interest in improving the marketing of the business. Riding 4 All used some of her new marketing ideas and the number of children attending the stables has increased. The business would still like more new customers.

With business improving, the owner has realised that he now needs another riding instructor. He is not sure of how best to advertise for the new employee. He is also not clear about how much to pay them.



Source: photograph, Getty Images

2	(a)	Explain one way in which Riding 4 All's customers are protected by the law. [2 marks]



2	(b)	Describe two suitable methods of advertising for a new riding instructor. [4 marks]
		Method 1
		Extra space
		Method 2
		Extra space
2	(c)	Explain what factors will help the owner to decide how much the new instructor should be paid.
		[6 marks]



		Evtra chaca
		Extra space
2	(d)	Riding 4 All wants to attract new customers. Rita has suggested that the most important part of a successful marketing mix for Riding 4 All is price. Do you agree
		with Rita? Give reasons to support your answer. [9 marks]



-		
Extra space		



21

Total for this question: 18 marks

3 Read Item C and then answer the questions that follow.

Item C

Community News has been a really important feature of life in East Downton for over twenty years. Its weekly mixture of local news, competitions and advertisements has meant that it has been popular with most households in the town. It was set up as a social enterprise with any surplus income being donated to local charities and other good causes.



Every week 6000 copies are sold at a price of 50p, but increasing costs have meant that Community News is currently making a loss of £300 per week. The manager is considering increasing the price but is worried that this will affect sales.

Four staff are currently employed to edit and print the paper. They each earn on average £250 per week. The manager believes that the staff could be reduced by the introduction of new printing technology. This might also solve recent complaints about print quality. He is worried, however, that any job losses might give the newspaper a bad reputation in the town and that staff might become demotivated.

Source: photograph, Getty Images

3	(a)	Explain how Community News can measure whether it is successful.	[4 marks]



		Extra space
3	(b)	Explain how spending money on new printing technology might increase the efficiency of Community News.
		[5 marks]
		Extra space



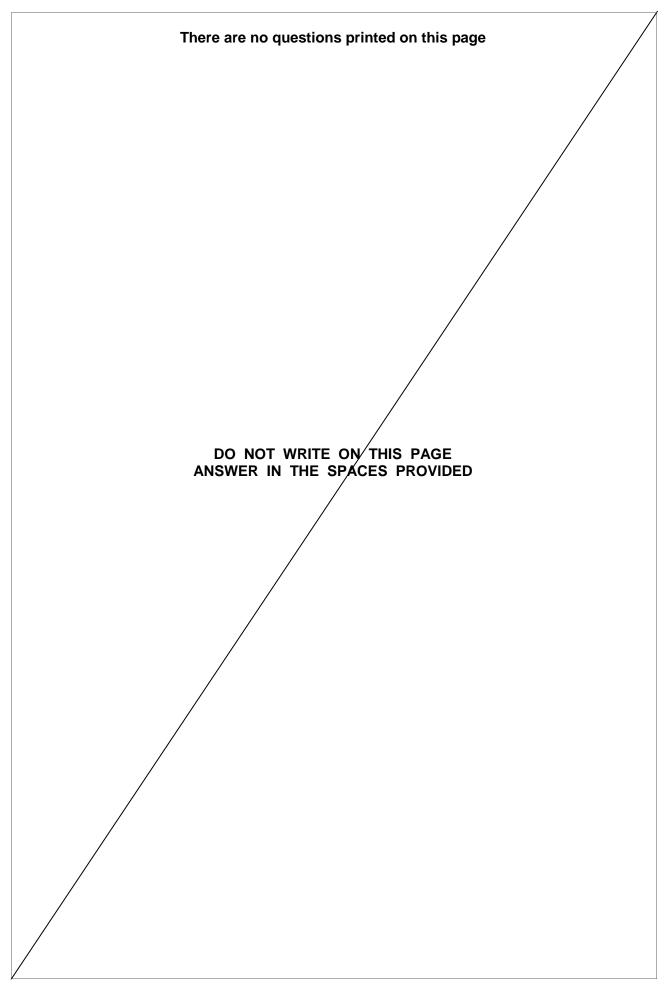
3	(c)	Recommend whether or not the newspaper should increase the price to 6 reasons for your recommendation.		
			[9 n	narks]
		Extra space		



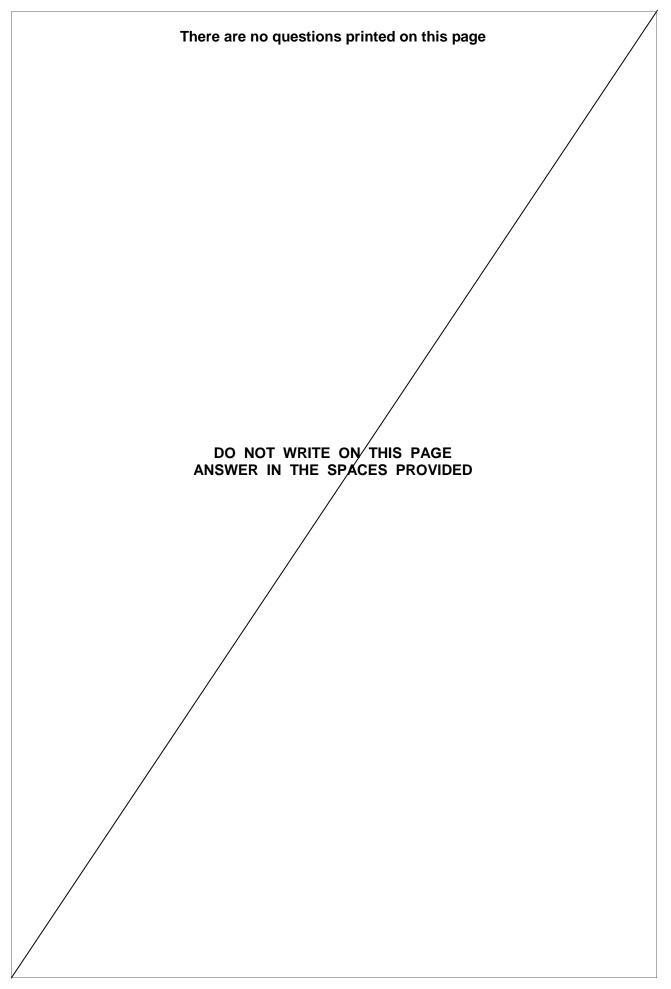
END OF QUESTIONS



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DO NOT WRITE ON THIS PAGE ANSWER IN THE SPACES PROVIDED

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There are no questions printed on this page

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