



Centre Number

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Candidate Number

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General Certificate of Secondary Education  
2016

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## Business Studies

Unit 2

Business Development

[GBS21]

FRIDAY 10 JUNE, AFTERNOON

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MV18

### Time

1 hour 40 minutes, plus your additional time allowance.

### Instructions to Candidates

Write your Centre Number and Candidate Number in the spaces provided at the top of this page.

**You must answer the questions in the spaces provided.**

Complete in blue or black ink only.

Answer **all three** questions.

### Information for Candidates

The total mark for this paper is 90.

Quality of written communication will be assessed in

Questions **1(f)**, **2(c)** and **3(c)**.

Figures in brackets printed at the end of each question indicate the marks awarded to each question or part question.

Answer **all** questions

1 Rob and Max own a successful sports shop named “A Sporting Chance” in Portstewart. They wish to employ a Sales Manager for the shop.

(a) Rob and Max decided to use internal recruitment to fill the post. Explain **one** advantage and **one** disadvantage for A Sporting Chance of this decision. [4 marks]

Advantage \_\_\_\_\_

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Disadvantage \_\_\_\_\_

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(b) Each applicant has been asked to write a Letter of Application. Explain **one** advantage and **one** disadvantage for the **employers** of a Letter of Application. [4 marks]

Advantage \_\_\_\_\_

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Disadvantage \_\_\_\_\_

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(c) Training will be provided in a Sales Training Centre for the new Sales Manager. Name this type of training and describe **one** benefit and **one** drawback it might have for A Sporting Chance. [5 marks]

Type of Training \_\_\_\_\_

Benefit \_\_\_\_\_

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Drawback \_\_\_\_\_

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(d) A Sporting Chance operates a system of both financial and non-financial motivation. Name, and describe **one** financial and **one** non-financial method of motivation which would be the most suitable for the new Sales Manager. [6 marks]

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(e) State when the new Sales Manager must be given his/her Contract of Employment, and name **four** details which should be included in a Contract of Employment. [5 marks]

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**(f)** Observation is the method of appraisal which is used in A Sporting Chance. Describe this method and explain **two** of its advantages. [6 marks]

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“A Sporting Chance” continues to be successful, so Rob and Max plan to expand their business by buying another similar business whose owner is retiring soon.

(a) One benefit of growth and expansion is Economies of Scale. Explain what is meant by “Economies of Scale” and give **one** example how Economies of Scale may occur when A Sporting Chance expands. [4 marks]

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**(b)** Analyse **two other** benefits for the owners which should result from the growth of A Sporting Chance.

[6 marks]

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2. \_\_\_\_\_

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(c) Analyse **two** positive and **one** negative social/moral implications of the growth of A Sporting Chance.  
[6 marks]

1. Positive Implication \_\_\_\_\_

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2. Positive Implication \_\_\_\_\_

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3. Negative Implication \_\_\_\_\_

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(d) Rob and Max have asked the bank for a loan to buy the second shop. The Bank Manager has asked to see their Business Plan. Give details of **two other** reasons why A Sporting Chance should have a Business Plan.  
[4 marks]

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(e) Rob and Max are considering using e-commerce as a means of further growth. Explain the meaning of e-commerce. [2 marks]

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(f) Analyse **three** advantages for A Sporting Chance of using e-commerce. [6 marks]

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3. \_\_\_\_\_  
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(g) Analyse **three** disadvantages for A Sporting Chance of using e-commerce. [6 marks]

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2. \_\_\_\_\_  
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3. \_\_\_\_\_  
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**(Questions continue overleaf)**

3

The accounts for A Sporting Chance have been prepared by Samantha.

(a) Samantha has drawn up the following Cash Flow Forecast for the three months from June to August 2016.

<b>Receipts</b>	<b>June</b>	<b>July</b>	<b>August</b>
	£	£	£
Opening Balance	46 000	53 006	
Sales		32 956	30 376
Total Receipts	74 670		74 938
<b>Payments</b>			
Rates	600	600	600
Advertising	750	1400	0
Insurance	200	200	200
Purchases		19 550	9375
Telephone	630	0	0
Cleaning	250	250	250
Wages	3000	3000	3000
Shop Fittings	0	16 400	0
Total Payments	21 664	41 400	
Closing Balance	53 006		61 513



Calculate the following amounts and complete the  
Cash Flow Forecast:

[1 mark for each, 5 marks in total]

Total Sales for June

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Total Purchases for June

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Total Receipts for July

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Closing Balance for July/Opening Balance for August

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Total Payments for August

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(b) Compare the opening cash balance in June with the closing cash balance in August, and comment on the expected performance of A Sporting Chance.  
[4 marks]

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(d) A Sporting Chance is situated in the street between a jewellery shop called “Jewels” and a fruit and vegetable shop called “Five-a-Day”. The following table shows the Rate of Stock Turnover for each of the three shops. Complete the following table with the name of the appropriate shop opposite its rate of stock turnover. [3 marks]

<b>Rate of stock turnover</b>	<b>Shop</b>
290 times	
1.5 times	
5 times	

- (e) On 31 December 2015, Samantha produced an Income Statement for the year. Study the Income Statement and answer the questions which follow.

**INCOME STATEMENT OF A SPORTING CHANCE  
FOR THE YEAR ENDED 31 DECEMBER, 2015**

	£	£
Sales		120 000
Less Cost of Sales:		
Opening Inventory	13 200	
Plus Purchases	<u>66 800</u>	
	80 000	
Less Closing Inventory	<u>11 300</u>	
<b>Cost of Sales</b>	68 700	
<b>Gross Profit</b>		<u>51 300</u>
Less Expenses	14 900	
<b>Net Profit</b>		36 400

Suggest **two** ways in which A Sporting Chance might increase its Net Profit. [2 marks]

1. \_\_\_\_\_

2. \_\_\_\_\_

- (f) Use the following formula and the figures provided in the Income Statement to calculate the Net Profit Percentage for A Sporting Chance. Show your calculation (correct to one decimal place) in the space provided. [2 marks]

$$\text{Net Profit Percentage} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

$$\text{Net Profit Percentage} = \text{—————} \times 100$$

$$\text{Net Profit Percentage} =$$

**(g)** A Sporting Chance is described as a successful sports shop. Using all the information which you have about the business analyse **two** signs of its success.  
[4 marks]

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**THIS IS THE END OF THE QUESTION PAPER**

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For Examiner's use only	
Question Number	Marks
1	
2	
3	

<b>Total Marks</b>	
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