

GENERAL CERTIFICATE OF SECONDARY EDUCATION

BUSINESS STUDIES B

Business in its Environment (Foundation Tier)

2323/01

Candidates answer on the Question Paper

OCR Supplied Materials:

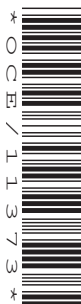
None

Other Materials Required:

- Calculators may be used

**Thursday 20 May 2010
Morning**

Duration: 1 hour 15 minutes



Candidate Forename		Candidate Surname	
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Centre Number						Candidate Number				
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INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- Do **not** write in the bar codes.
- Write your answer to each question in the space provided. Additional paper may be used if necessary but you must clearly show your Candidate Number, Centre Number and question number(s).

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **60**.
- The quality of your written communication will be taken into account when marking your answers to the question labelled with an asterisk (*).
- This document consists of **12** pages. Any blank pages are indicated.



**A calculator may
be used for this
paper**

Question 1

- (a) (i) JGT Travel is a travel agent selling holidays in a small town. Its competitors in the town are:

- PV Travel – another small travel agent
- Eezee Travel – part of a chain of travel agents in the UK.

Fig. 1 below shows some examples of markets in which JGT Travel's competitors could be operating. Place a tick (✓) in the box that **best** describes the market in which each business operates.

Travel Agent	Local market	National market	Global market
PV Travel			
Eezee Travel			

[2]

Fig. 1

- (ii) Over the past few years JGT Travel's market has become more competitive. Eezee Travel and other large chains now offer a very wide range of different types of holidays. As a result, JGT Travel is considering whether to **specialise** in expensive cruise holidays.

JGT Travel's owner has been looking at the following market research information:

- The number of firms selling cruise holidays has doubled in the past 4 years
- Cruise holidays are expected to grow by 7% a year for the next 5 years
- The price of cruise holidays has risen by 20% in the past year
- There is a shortage of cruise ships available for customers

Advise JGT Travel whether or not it should specialise in cruise holidays. Give reasons for your advice.

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..... [9]

- (b) Another reason why JGT Travel is considering specialising in cruise holidays is because the local population structure has changed.

A change in the local population structure is an **external factor**. Which type of external factor is a change in population structure? Circle the correct response.

Economic Environmental Legal Political Social

[1]

- (c) JGT Travel considers itself to be an ethical business.

- (i) Below is a list of some ethical issues that a travel agent like JGT Travel might consider. Indicate whether you think each issue is ethical or unethical. Please circle the correct responses.

Hotels using so much water that local farmers cannot grow crops	Ethical	Unethical
Hotels buying supplies for tourist meals from local farmers	Ethical	Unethical
Airlines polluting the atmosphere on long-distance flights	Ethical	Unethical
Tourist beaches being closed to local people	Ethical	Unethical

[4]

- (ii) Explain **one** reason why ethical behaviour is important to a business.

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..... [2]

(d) JGT Travel provides a foreign currency service to its customers. This means that the business must have a stock of foreign currencies available.

(i) Identify **two costs** to JGT Travel of keeping a stock of foreign currencies.

Cost 1

Cost 2 [2]

(ii) At the moment JGT Travel has \$5,000 (US dollars) in stock and the exchange rate is £1 = \$1.25.

How much is JGT Travel's stock of US dollars (\$) worth in pounds (£)? Show your working.

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..... [2]

JGT Travel and customers who are going on holiday abroad both know that exchange rates change.

Below are some possible effects of changes in the exchange rate. State whether each of the following is **true** or **false**.

(iii) If the pound rises in value this means that foreign goods are cheaper to UK tourists when on holiday.

True/False [1]

(iv) If the pound falls in value this means that JGT Travel has to pay more for its foreign currency.

True/False [1]

- (e) JGT Travel has received a number of complaints from customers that the hotel at a certain resort did not have a swimming pool. The customers are asking for refunds under consumer protection laws as JGT Travel stated in its brochure that the hotel did have a swimming pool.

JGT Travel is considering the following options:

- Cancelling next year's bookings that JGT Travel has with the hotel
- Offering refunds to the customers that have complained

Advise JGT Travel how it should respond to the complaints. Give reasons for your advice.

[6]

[Total marks: 30]

Question 2

Activity Gyms Ltd (AGL) operates fitness centres throughout the UK.

- (a) AGL uses technology widely in its business operations.
- (i) AGL issues all of its members with an electronic membership card. Members do not use cash, but have to 'top up' their card with credit to pay for any food and drinks.

Identify and explain **two** benefits to **Activity Gyms Ltd** of its members having to use a membership card to pay for any food and drinks.

Benefit 1

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Benefit 2

.....

.....

..... [4]

[6]

(b) AGL is affected by changes in taxation.

(i) Fig. 2 shows different changes in taxation and examples of the effects of changes in taxation.

Change in taxation		Effect of change in taxation	
1	The rate of income tax is increased	A	Consumers may benefit from lower prices
2	The rate of value added tax (VAT) is reduced	B	Large businesses can keep a larger share of their profits
3	The rate of corporation tax is reduced	C	Employees may be less well off

Fig. 2

Match the letters **A**, **B** and **C** relating to each effect of a change in taxation to each of the changes in taxation in Fig. 3 below. Write the letters in the spaces provided.

Change in taxation	Effect of change in taxation (letter only)
1	
2	
3	

[3]

Fig. 3

- *(ii)** AGL has recently had a large increase in council tax for one of its gyms. As a result, the business is considering whether to move the gym to another town where council tax is much lower.

The manager of the gym is worried about the effect of a possible move upon its current members, although he is pleased that the average incomes in the new town are 25% higher and the town's population is much larger.

Advise AGL whether or not it should move its gym to another town. Give reasons for your advice.

..... [9+2

- (c) AGL competes against private and public enterprises. This includes many local councils that provide leisure centres for local residents.

State whether each of the following is **true** or **false**.

- (i) Council-owned leisure centres are examples of private enterprise.

True/False [1]

- (ii) Council-owned leisure centres have ways of covering their costs other than charging customers.

True/False [1]

- (iii) The main objective of council-owned leisure centres is to make a profit.

True/False [1]

- (iv) Local councils are involved in the provision of a wide range of services.

Fig. 4 is a list of services. Tick **three** boxes to show which services are commonly provided by **local councils**.

Service	Provided by local councils (✓)
Libraries	
Gas repairs	
Dry cleaning	
Education	
Household waste collection	
Armed forces	

[3]

Fig. 4

[Total marks: 30]

11
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