

**GENERAL CERTIFICATE OF SECONDARY EDUCATION**

**BUSINESS STUDIES A**

**1951/02**

Paper 2 Common Core  
(Higher Tier)

Candidates answer on the Question Paper

**OCR Supplied Materials:**  
None

**Other Materials Required:**  
• Calculators may be used.

**Monday 7 June 2010  
Morning**

**Duration:** 1 hour 45 minutes



Candidate  
Forename

Candidate  
Surname

Centre Number

Candidate Number

**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 **120**.
- The quality of your written communication will be taken into account when marking your answers to questions labelled with an asterisk (\*).
- This document consists of **20** pages. Any blank pages are indicated.



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

- 1 (a) Amy and George Beck wish to open a children's nursery in the town of Bowton. Amy is a trained nursery nurse working in a local council run nursery. George works for a large car manufacturer.

State the sector of the economy in which each of them work.

Amy .....

George ..... [2]

- (b) George will leave his job as an accountant at the car manufacturers and will work full-time for the nursery. State the opportunity cost that he will incur from deciding to work full-time for the nursery.

.....

..... [1]

- (c) Fig. 1 is taken from the Bowton Chronicle for February 12, 2010.

#### **BOWTON BUSINESS BOOMS**

Businesses in Bowton did better than anywhere else in the UK last year. Some of the main changes that took place were:

- The population of the town rose.
- The number of businesses increased.
- Unemployment fell.
- Average earnings of workers went up by £1400 per year.
- Some families have moved out of the town of Bowton to live in new houses being built nearby.
- There was more traffic congestion and more pollution.

**Fig. 1 Extract from Article taken from the Bowton Chronicle**

- (i) Using the information in Fig. 1, identify **three** stakeholders that may have been affected by the changes in Bowton.

State how **each** of the stakeholders identified may be affected.

Stakeholder 1 .....

How affected .....

.....

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Stakeholder 2 .....

How affected .....

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Stakeholder 3 .....

How affected .....

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..... [6]

- (ii) To what extent is the information in Fig. 1 useful in deciding whether or not to open a nursery in the town of Bowton is a good idea. Give reasons for your answer.

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..... [8]

[Total: 17]

- 2 Amy and George have estimated the start up costs of the nursery. These are shown in Fig. 2.

- Cost of buying and converting a large house £750,000.
- Equipment at a cost of £50,000.

**Fig. 2 Nursery Start Up Costs**

Their bank has offered them a mortgage of £600,000.

- (a) State and explain the advantages and disadvantages to Amy and George of using a mortgage to finance buying the house.

Advantages .....

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Disadvantages .....

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..... [6]

(b) Fig. 3 is the cash flow forecast for the nursery for the first 3 months of trading

	Month 1	Month 2	Month 3
Balance brought forward	0	(4,000)	2,000
<b>Income</b>			
Revenue from fees	30,000	40,000	<b>B</b>
<i>Total Income + Balance brought forward</i>	<i>30,000</i>	<i>36,000</i>	<i>52,000</i>
<b>Expenditure</b>			
Wages	24,000	24,000	24,000
Insurance	2,000	0	0
Other expenses	8,000	<b>A</b>	8,000
<i>Total Expenditure</i>	<i>34,000</i>	<i>34,000</i>	<b>C</b>
Balance carried forward	(4,000)	2,000	32,000

**Fig. 3 Cash flow forecast for the nursery – First three months**

(i) Calculate the three missing figures **A**, **B** and **C** in the cash flow forecast.

**A** .....

**B** .....

**C** ..... [3]

(ii) Explain why data in a cash flow forecast may not be accurate.

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..... [3]

- (iii) Before the nursery is open for children, Amy and George plan to spend one week training the staff. Discuss whether or not they are right to spend a week training staff. In your answer discuss **both** the **advantages** and **disadvantages** of this.

[6]

- (iv)** Before the nursery opens for children, Amy and George will need to pay £2000 for food, and other items such as nappies, baby wipes and paper. Recommend **two** methods they could use to pay for these goods. Give reasons for your answer.

Method One .....

Reasons .....

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Method Two .....

Reasons .....

..... [6]

- (c) Amy and George are hoping to make £100,000 profit in their first year of trading. Their total capital employed will be £800,000.

- (i) Calculate their expected return on capital employed (ROCE). Show your working.

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..... [2]

- (ii) Amy and George need to know if the rate of return on capital employed will be good enough for their business in its first year of trading. They know that a well-established, similar-sized nursery in a local town achieved a 24% rate of return on capital employed last year.

Using this information and any other considerations discuss whether the ROCE calculated in (i) is a satisfactory rate of return for Amy and George.

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..... [4]

- (iii) Explain how useful George's experience as an accountant will be to their nursery business.

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..... [4]

[Total: 34]

Turn over

- 3 Amy and George need to recruit a Nursery Supervisor to oversee the care of the children aged 3 to 5. The main duties on the job description are given in Fig. 4 below.

**Nursery Supervisor – Main Duties**

- Meeting parents who may send their children to this new nursery.
- Supervising the work of the childcare assistants.
- Planning and supervising arts, crafts, music and other activities.
- Taking children on outings.
- Being aware of health and safety and making children safe.

**Fig. 4 Extract from Job Description for Nursery Supervisor**

Fig. 5 is a summary of the information provided by two of the applicants for the job of nursery supervisor.

	<b>Natasha Effendo</b>	<b>Helen Adams</b>
Qualifications	Qualified Nursery nurse. Degree in Art.	Qualified nursery nurse.
Experience	2 years experience working as a nursery nurse.	3 years as a nursery nurse one of which was as a supervisor.
Personal Qualities	Good communication skills, good health.	Ability to work in a team, caring and patient, good sense of humour.
Current Salary	£18,000 per year.	£21,000
Current employment	Manager of the education team in an art gallery.	Nursery supervisor in a small nursery.

**Fig. 5 Summary of information from two of the applicants.**



..... [6+2]

- Media One .....

Reason for recommendation .....

.....

.....

Media Two .....

Reason for recommendation .....

..... [6]

- (c) Amy and George are considering using a profit-sharing scheme to motivate their workers. Discuss whether or not this is a good idea.

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..... [4]

- (d) Explain two laws designed to protect employees that Amy and George must obey in their business.

1 .....

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2 .....

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..... [4]

[Total: 22]

- 4 (a) Amy and George are planning their marketing campaign for the nursery. They intend to do some desk research and some field research.

State and explain one advantage and one disadvantage to Amy and George of each type of market research.

#### **Desk research**

Advantage .....

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Disadvantage .....

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#### **Field Research**

Advantage .....

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Disadvantage .....

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..... [8]

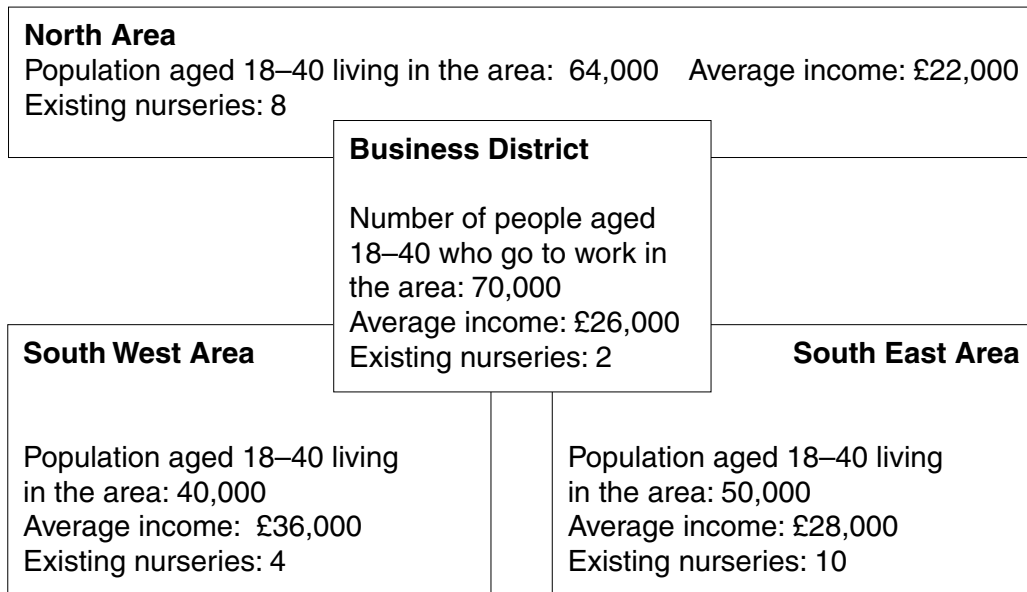
- Discuss both of these options and recommend which one they should use. Give reasons for your recommendation.

..... [6]

- ..... [2]

- (c) Fig. 6 is a plan of the town of Bowton. It shows data about each of the four areas in the town.

**Fig. 6 Plan of Bowton**



- (i) Using the information in Fig. 6, explain whether Amy and George would be able to charge a higher price for nursery places in the South West area or in the North area. Give reasons for your answer.

Recommended area:.....

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..... [4]

- (ii) Amy and George have decided to locate the nursery in either the Business District or the South East area. Recommend in which one of these two areas they should locate the nursery. Give reasons for your recommendation.

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..... [4]

- (iii) State two other pieces of information, not shown in Fig. 6 that would be useful to Amy and George when deciding where to locate the nursery.

1 .....

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2 .....

..... [2]

[Total: 26]

- 5 **\*(a)** Amy and George intend to use a large amount of their own money to start up the business. Recommend the form of business ownership they should have, partnership or private limited company. Give reasons for your answer.

..... [8+2]

- (b)** In a limited company there will be a Board of Directors. Explain the role of the board of directors.

..... [2]

- (c) Amy and George want to run the business as an ethical business. Using examples, explain what this means.

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..... [4]

- (d) Amy and George have decided that they will use a Total Quality Management (TQM) approach to quality control. Explain what total quality management is and how it may benefit their nursery business.

Meaning of TQM .....

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How it will benefit the nursery business .....

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..... [5]

[Total: 21]



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