

Write your name here	
Surname	Other names
Centre Number	Candidate Number
Edexcel IGCSE	
Business Studies	
Friday 27 May 2011 – Afternoon Time: 2 hours	Paper Reference 4BS0/01
You do not need any other materials.	Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- There are two sections for this paper – Section A and Section B.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*
- A calculator may be used.

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Keep an eye on the time.
- Try to answer every question.
- Check your answers if you have time at the end.

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Turn over ►

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Fabian Fabric Ltd (FF Ltd) is a family wholesale business importing high quality hand woven cloth in large quantities and selling to retailers in small quantities.

It sells most of its cloth to retail shops which sell curtain cloth. *FF Ltd* also takes orders from individual customers to make curtains for them. The curtains are unique and are made to each customer's measurements.

FF Ltd employs several office staff, some of whom are specialists in buying cloth from manufacturers. These employees travel abroad to buy the cloth from manufacturers in other countries. The company also employs skilled machinists to make the curtains for customers. These workers are paid time rate, that is a wage rate per hour.

Recently *FF Ltd* has begun to also import low quality cloth. This cloth is to be used to make cheaper curtains. This is a low market share and high market growth product.



Answer ALL questions.

SECTION A

For each of the questions (i) – (v), choose an answer A, B, C, D and put a cross in the box ☐. Mark only one answer for each question. If you change your mind, put a line through the box ☐ and then indicate your new answer with a cross ☐.

1 (a) (i) The skilled machinists would work in the

(1)

- ☐ **A** administration department.
- ☐ **B** finance department.
- ☐ **C** marketing department.
- ☐ **D** production department.

(ii) Buying cloth from abroad is called

(1)

- ☐ **A** importing.
- ☐ **B** inventing.
- ☐ **C** exchanging.
- ☐ **D** exporting.

(iii) *FF Ltd* can raise finance by

(1)

- ☐ **A** selling shares to family and friends.
- ☐ **B** selling shares to the public.
- ☐ **C** taking on a partner.
- ☐ **D** taxation.

(iv) *FF Ltd's* cash flow forecast shows

(1)

- ☐ **A** how much money it owes to its creditors.
- ☐ **B** the inflows and outflows of the business.
- ☐ **C** the profit it makes.
- ☐ **D** the value of its shares.



(v) *FF Ltd* is most likely to advertise its high quality hand woven cloth in

(1)

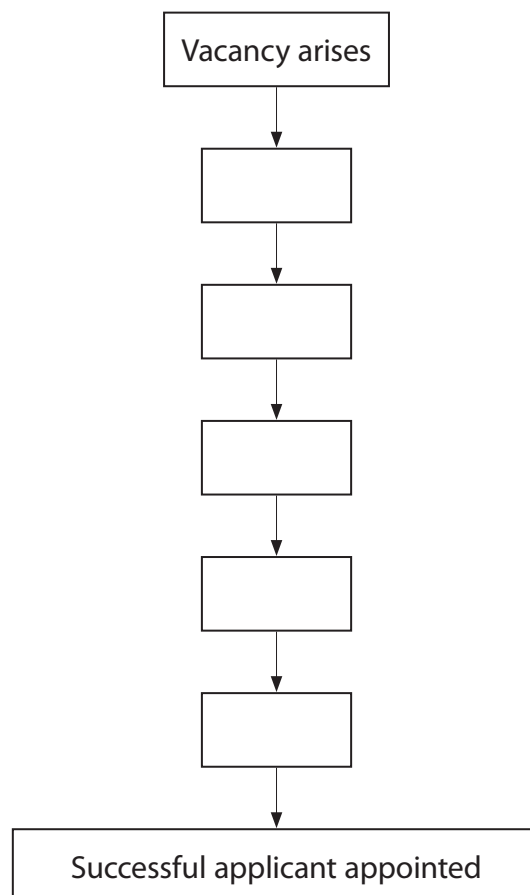
- ☐ **A** leaflets handed out in the street.
- ☐ **B** local newspapers.
- ☐ **C** shop windows.
- ☐ **D** specialist retail magazines.

FF Ltd recruits new employees when an employee leaves. It follows a recruitment and selection process which includes the following stages:

- A** Carry out an interview.
- B** Draw up a job description.
- C** Look through application forms to shortlist candidates.
- D** Produce a job (person) specification.
- E** Advertise the job.

(b) Place these five stages of the recruitment and selection process in the correct order, using the letters **A–E**, in the boxes below.

(5)



(c) To help *FF Ltd* carry out its work, it has several departments. These include:

- Purchasing
- Production.

Using an example of a job, explain how these departments help *FF Ltd*.

(i) Purchasing department

(3)

Job

Explanation

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(ii) Production department

(3)

Job

Explanation

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(d) *FF Ltd* knows that total quality management (TQM) is very important.

(i) What is meant by 'total quality management'?

(2)

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(ii) How might *FF Ltd* be affected if it had a lot of complaints from customers?

(2)

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(Total for Question 1 = 20 marks)

2 *FF Ltd* is a wholesaler that imports high quality hand woven cloth.

(a) What is meant by a 'wholesaler'?

(2)

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(b) Outline **two** reasons why retailers might buy their cloth from a wholesaler such as *FF Ltd*.

(4)

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The directors of *FF Ltd* have set an aim of producing high quality curtains.

(c) (i) Why might this aim be important for *FF Ltd*?

(2)

For question 2(c)(ii), choose two answers from A, B, C, D, E, F and put a cross in the box ☒.
If you change your mind, put a line through the box ☒ and then indicate
your new answer with a cross ☒.

(ii) Which **two** objectives, from the list below, is *FF Ltd* **most likely** to set?

(2)

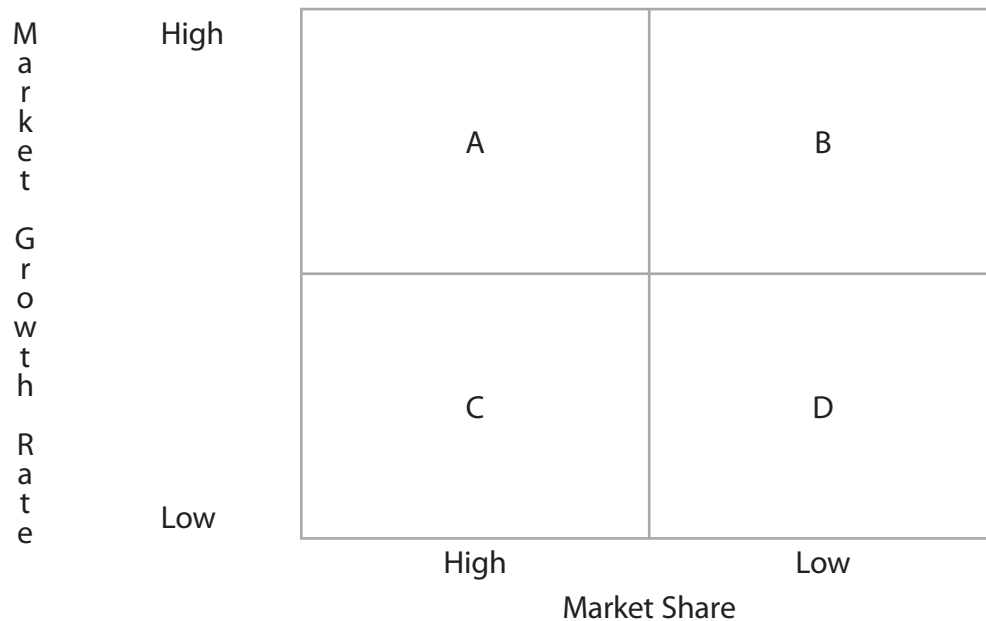
Indicate your answers by marking **two** boxes only.

- ☐ **A** To cut the costs of making each curtain.
- ☐ **B** To sell curtains at a financial loss.
- ☐ **C** To use poor quality cloth to make each curtain.
- ☐ **D** To pay higher rates of interest on money borrowed.
- ☐ **E** To have an effective marketing strategy.
- ☐ **F** To start making curtains of only one size.



- (d) The Boston Matrix shows businesses all the different products they have in their product range. This matrix places products into four categories. This helps *FF Ltd* to identify whether they need to develop a new product.

Boston Matrix



Give the names of the **four** categories of the Boston Matrix.

(4)

- A
- B
- C
- D



The directors of *FF Ltd* are thinking of expanding the production of one of its products below:

Product 1 – Curtains made for customers using high quality hand woven cloth. This has had a high market share and high market growth over recent years.

Product 2 – Curtains made for customers using low quality cloth. This has had a low market share and high market growth over recent years.

Select the product which you think would lead to increased profits for *FF Ltd*.

(e) Discuss **two** reasons why expanding production of this product might lead to increased profits for *FF Ltd*.

(6)

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(Total for Question 2 = 20 marks)

- 3 The directors have been given a summary of the most recent profit and loss account for *FF Ltd*. This summary is shown below.

Profit and Loss Account for *FF Ltd* at the year ending 31 December 2010

	£
Sales Revenue	3 000 000
Direct costs	1 200 000
Gross Profit	1 800 000
Expenses	1 200 000
Net Profit	?

- (a) (i) What is the amount of net profit made by *FF Ltd* in 2010?

(1)

- (ii) What would be **two** examples of expenses that might be included in this Profit and Loss Account?

(2)

- (b) (i) Name **two** stakeholders who might be interested in seeing this Profit and Loss Account.

(2)

Stakeholder 1

Stakeholder 2

- (ii) For each stakeholder named in (i), identify **one** reason why they would want to see this account.

(2)

1

2

The net profit margin for *FF Ltd* was 15% and its gross profit margin was 70% for the previous year, which ended 31 December 2009.

- (c) Analyse whether the directors of *FF Ltd* will be pleased with the profit margins for the year ending 31 December 2010.

(4)

The production department at *FF Ltd* uses high quality hand woven cloth to make individual curtains for its customers. These curtains are made using job production.

- (d) (i) What will be the benefit to *FF Ltd* of using job production?

(5)

- (ii) Discuss **two** possible benefits to *FF Ltd* of using an alternative method of production.

(4)

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION A = 60 MARKS

SECTION B

- 4 *FF Ltd* needs to raise additional finance to expand its business so the company can employ more staff and increase the quantity of cloth it is buying. The directors of *FF Ltd* are considering changing to a public limited company (plc).

(a) (i) Discuss **one** likely benefit to *FF Ltd* of becoming a public limited company.

(3)

(ii) Analyse **one** likely problem for the shareholders of *FF Ltd* if it becomes a public limited company.

(3)

(iii) Analyse **two** suitable methods, other than selling shares, of raising finance for the expansion of the business.

(6)

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(b) Discuss the advantages and disadvantages to *FF Ltd* of moving production to this new location.

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16



5 The Human Resources department of *FF Ltd* needs to recruit a sales manager for the new cloth it plans to sell. *FF Ltd* could use either:

- Internal recruitment or
- External recruitment.

Select **one** of these methods of recruitment.

(a) Analyse why this method of recruitment could be used by *FF Ltd* to recruit a new sales manager.

(5)

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The new sales manager will need to have some training. The training could be on-the-job or off-the-job training.

(b) (i) What is meant by on-the-job training?

(1)

(ii) Evaluate whether on-the-job or off-the-job training would be suitable for a sales manager.

(4)

The directors of *FF Ltd* want to increase the motivation of its production workers.

They are considering the following two options for the production workers:

Option 1 Changing from a wage per hour to a payment for each curtain they make (piece rate)

Option 2 Introducing a cash bonus each month for the worker who has produced the highest number of curtains that month.

Select **one** of these options to increase the motivation of production workers.

(c) Justify why you have selected this option and rejected the other.

(10)

(Total for Question 5 = 20 marks)

TOTAL FOR SECTION B = 40 MARKS

TOTAL FOR PAPER = 100 MARKS

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