

GCSE
Business Studies
HIGHER TIER
Business and Change

NO. 1

ONE HOUR

You should answer all the questions

Do all your written work on this paper
The marks for each question are written in brackets

Surname:

First Names:

Business Studies

Business and Change

Answer all questions.

1) Paul decided to open up a small cafe in his home town in East Sussex. He decided that he would run it as a sole trader.

(a) Explain two advantages of being a sole trader.

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(b) His main concern was that as a sole trader he would have unlimited liability. Explain what this term means.

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(c) Paul decided to do some market research before he opened the shop. He used both field and desk based research. Explain what these two terms mean.

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(2) The business did well and Paul decided to change the business over from being sole trader to a limited company.

(a) Explain the two documents that he had to submit to Companies House to achieve this.

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(b) What were the main advantages to Paul in becoming a Company?

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(3) Paul has now been trading for 3 years a financial summary is given below for 2003 and 2004.

	2003	2004
Sales turnover	£150,000	£170,000
Gross Profit	£70,000	£75,000
Net Profit	£45,000	£47,000
Capital employed	£100,000	£105,000
Return on capital employed		

(a) Fill in the spaces for return on capital employed. Show your working below.

(4)

(b) The turnover has increased by £20,000. Give two ways that turnover can be increased.

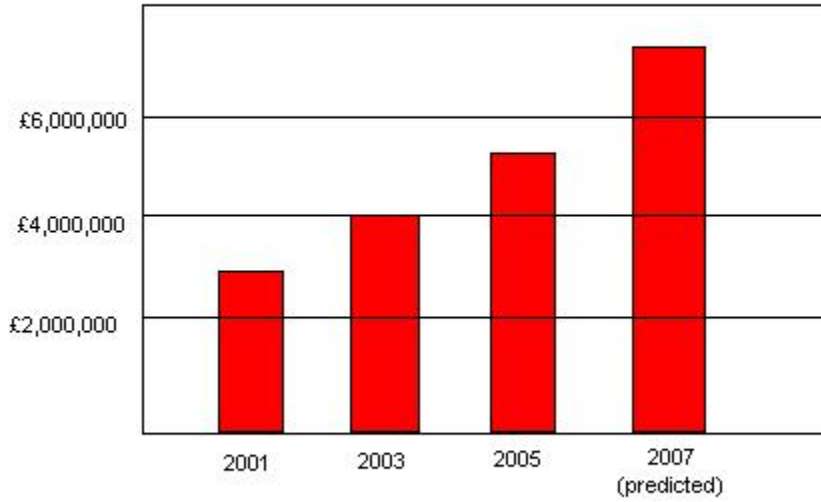
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(c) As turnover increases, so do costs. Explain why this happens.

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(b) Another idea of Paul's is to sell organic food in the Cafe. Look at the figures on consumer spending on organic food and Non Organic fast food in his county. Advise Paul on if this is a good idea.

Organic food sales in East Sussex



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(5) Advise Paul on how to promote his new organic food cafe.

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(6) One of the key problems facing new and growing businesses is cash flow.

(a) Explain what this means?

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(b) What are the two financial tests that a business can look at to see if they may be at risk from a shortfall in cash flow?

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