

**GCSE**  
**Business Studies**  
**HIGHER TIER**  
**Core paper**  
**NO. 1**

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**The Examination Group Ltd registered in England and Wales No. 05646047**

# Business Studies

## Core Paper

Answer all questions.

Time allowed 1hour 45 minutes

Marks are given in brackets

### Higher tier

1. Read the newspaper extract below and then answer the following questions.

The Howton Gazette.

The town of Howton is set for a boost when the Handai electronics corporation choose it for the location of their new European base. The firm will open up a European HQ and a factory in the area which will employ over 3000 workers. The location was chosen after consultation with central government and the firm was given a grant of £8,000,000.

- (a) (i) What is a grant?

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.....(1)

- (ii) Why would central government give a grant to the firm to locate in the town of Howton?

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(iii) Why might the move by Handai into the town of Howton be opposed by some of the local residents?

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.....(4)

(b) Handai aims to assemble electronic goods at Howton which will then be sold throughout the European Union as well as in the UK.

(i) If the value of the £ rises against the Euro how will this effect sales of the product to the Euro markets?

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(ii) Despite worries about a rise in the £ why might Handai have chosen to locate in the UK?

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(iii) How Would Handai benefit if the UK was to join the Euro?

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(c) Handai needs to recruit a large number of workers for the new plant.

(i) How could Handai advertise for the workforce that it needs for their production line?

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.....(6)

(ii) The firm receives 90 applications for the for the 5 quality control jobs. Advise them on how to choose the five from the pool of 90.

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(iii) The area of Howton is heavily unionised. What benefits are their in being a member of a union?

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.....(5)

(iv) What is industrial action?

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.....(2)

(v) Who can be used to mediate between the parties involved in the industrial dispute?

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.....(3)

2) (i) Handai is a Public limited company (Plc). Explain two benefits that Handai gets from being a Plc rather than a private limited company (Ltd).

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(ii) Explain two problems associated with being a Plc.

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(d) Handai is keen to keep its production costs in the factory down.

(i) Outline the methods that could be used to do this on their production line.

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2. Jono Ltd is a small firm that has won the contract to provide Handai with Silicon Chips for their electronic goods.  
Study the financial data for Jono Ltd given below.

Items	2004	2005
Revenue	£2,000,000	£2,600,000
Gross Profit	£1,000,000	£1,300,000
Net profit	£500,000	£600,000
Capital value	£1,000,000	£1,000,000

a) Calculate the percentage of net profit to sales in 2004. Show your working.

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 .....(2)

(b) Work out the return on capital employed for 2005. Show your working.

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 .....(3)

(c) Using the data that you have explain if the company is doing well. Justify your answer.

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 .....(4)



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.....(8)

(3) Study the financial data below for Jono Ltd.

	2004	2005
Current Assets		
Stock	£150,000	£190,000
Debtors	£100,000	£120,000
Cash	£10,000	£10,000
Current liabilities	£130,000	£140,000

- (i) Calculate and fill in the current assets for 2004 and 2005. (2)
- (ii) Calculate the current ratio for 2004. Show your working.

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- (iii) Calculate the Acid test ratio for 2005. Show your working.

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(iv) Explain why they may have problems with their cash flow.

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(iv) Advise them on what measures they could take to improve the cash flow situation.

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(4) Jono Ltd is worried about being over reliant on the Handai order. It will account for 60% of their sales turnover.

(i) Why should firms like Jono Ltd be worried by over reliance on a single customer?

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.....(4)  
(ii) Jono Ltd currently gets its customers through the use of a sales rep who works for the firm. Advise them on how they could advertise for potential customers.

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.....(6)  
(iii) They are keen to set up a website. What information about the firm should this contain?

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The End.

120 marks in total.

