

General Certificate of Education
January 2006
Advanced Subsidiary Examination

BUSINESS STUDIES
Unit 1

BUS1



Thursday 12 January 2006 Afternoon Session

For this paper you must have:

- an 8-page answer book

You may use a calculator.

Time allowed: 1 hour

Instructions

- Use blue or black ink or ball-point pen.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is BUS1.
- Answer **both** questions.
- Do all rough work in the answer book. Cross through any work you do not want marked.

Information

- The maximum mark for this paper is 52.
2 of these marks will be awarded for the Quality of Written Communication.
- The marks for questions are shown in brackets.
- Both questions carry equal marks.
- You are reminded of the need for good English and clear presentation in your answers. All questions should be answered in continuous prose. Quality of Written Communication will be assessed in all answers.

Answer **both** questions.

1

Total for this question: 25 marks

Study the information and answer **all** parts of the question that follows.

Text extract adapted from the **BBC Website**, 8 June 2004,
is not reproduced here due to third-party copyright constraints.

-
- (a) What is meant by the term 'secondary market research' (line 16)? (2 marks)
- (b) (i) Calculate the number of mobile phones sold by Nokia in the second quarter of 2004.
You should show your workings. (3 marks)
- (ii) Explain **one** problem that Nokia might experience as a result of a falling market share. (4 marks)
- (c) Examine **two** possible difficulties that Nokia might face when taking marketing decisions on the basis of the product life cycle theory. (7 marks)
- (d) Nokia has cut its prices in an attempt to restore its market share. Discuss the case for and against its decision to cut prices. (9 marks)

Turn over for the next question

2

Total for this question: 25 marks

Study the information and answer **all** parts of the question that follows.

FELIX FERRIES LTD

5 Felix Ferries Ltd operates ships on the crossing between Great Yarmouth and Zeebrugge in Belgium. Although the market is competitive and strongly seasonal, with most demand in the summer months, the company has usually been profitable. However, since 2002 its financial performance has declined. In 2005, the company announced its first loss of £750 000.

The directors of Felix Ferries Ltd have developed a plan to improve the company's financial performance. The plan centres on bringing a new ferry, called *Enterprise*, into service. Financial Director, Klaudia Fisher, outlined the benefits expected.

- 10
- *Enterprise* has a smaller capacity – up to 40 lorries and 120 cars, meaning it will be used more intensively.
 - Lower variable costs – although each crossing by *Enterprise* will incur fixed costs of £8000, the variable costs will average £40 for each lorry and £10 per car.
 - The possibility of reducing staff numbers on the new ferry.
 - A smarter image for the company – its existing vessels are outdated and unreliable.
- 15
- A quicker crossing – the *Enterprise* is more powerful and faster than the company's other ferries.

20 Klaudia said that *Enterprise* would cost £12.5 million although a cheaper version of the ferry was available. However, the company had opted for the more expensive version and had arranged a £10 million loan. Klaudia had drawn up cash flow forecasts as part of her financial planning and argued that this was vital for the long-term success of the company. In addition she planned to operate the *Enterprise* as a profit centre.

25 Klaudia was positive about the new ferry. "Our market research suggests that, with the quicker crossing, we can expect an average of 20 lorries and 80 cars on each journey. Our pricing policy will be £250 per lorry and £60 per car. We should make a profit, but *Enterprise* needs a high level of sales to break even."

- (a) What is meant by the term 'profit centre' (line 21)? (2 marks)
- (b) Calculate the expected profit or loss to be earned by *Enterprise* on each crossing from Great Yarmouth to Zeebrugge. You should show your workings. (6 marks)
- (c) "... *Enterprise* needs a high level of sales to break even." (line 25). Explain **two** actions that Felix Ferries Ltd might take to reduce the level of sales required for *Enterprise* to break even. (8 marks)
- (d) Klaudia argued that drawing up cash flow forecasts was vital for the long-term success of the company (line 19). To what extent do you agree with her view? (9 marks)

END OF QUESTIONS