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Oxford Cambridge and RSA

Friday 10 June 2016 – Afternoon

GCSE BUSINESS STUDIES

A293/01 Production, Finance and the External Business Environment



Candidates answer on the Question Paper.

OCR supplied materials:

- Clean copy Case Study

Other materials required:

- Calculators may be used

Duration: 1 hour 30 minutes



Candidate forename		Candidate surname	
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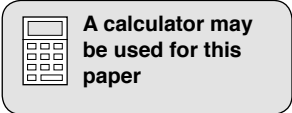
Centre number						Candidate number				
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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. HB pencil may be used for graphs and diagrams only.
- Answer **all** the questions.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- 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).
- Do **not** write in the bar codes.
- Make sure that all your answers relate to the Case Study material.

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 **90**.
- Your quality of written communication will be assessed in questions marked with an asterisk (*).
- This document consists of **12** pages. Any blank pages are indicated.



- 1 (a) Using information from the case study, identify **one** piece of evidence which suggests that Aaron Furniture Ltd sells its bedroom furniture in a competitive market.

.....
 [1]

- (b) In the Introduction, lines 13 to 14 state that ‘Specialisation is used in the business. All the workers in the Bowton factory have a specific job to do. Each family member has a specialised management role in the business...’

The table below lists four statements about specialisation. For each statement tick **one** box to show if it is an advantage or disadvantage of specialisation to Aaron Furniture Ltd.

Statements about specialisation at Aaron Furniture Ltd	Advantage of specialisation (✓)	Disadvantage of specialisation (✓)
Workers may become bored doing the same work all the time		
The workers concentrate on one job and can work more quickly		
Workers need less training than if they did several different jobs		
Specialist workers produce better quality furniture		

[4]

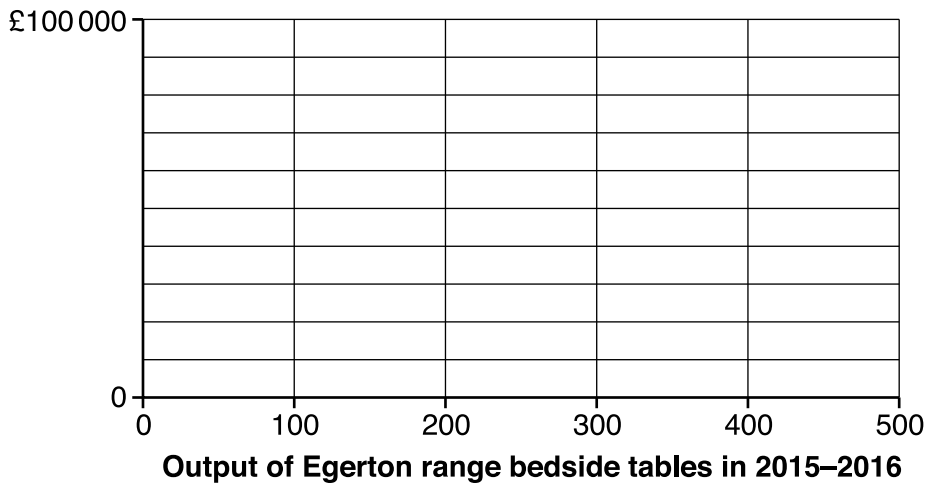
- (ii) Tick **one** statement in the table below that gives a **social cost** of Aaron Furniture Ltd closing its factory in Bowton.

Statement	Tick (✓) one box
There will be less traffic congestion in Bowton	
Some workers will lose their job	
The empty factory could be used as a youth club	

[1]

- (d) (i) Using the information in Extract 3, Fig. 3 in the case study, construct a break-even graph for output up to 500 bedside tables of the Egerton range in 2015–2016. Label **all** lines accurately.

Costs and Revenues £s



[6]

- (ii) How many bedside tables would Aaron Furniture Ltd have to sell in 2015–2016 to break-even?

Number of bedside tables to be sold to break-even [1]

- (iii) Explain **one** advantage to Aaron Furniture Ltd of using a break-even forecast.

.....

 [2]

- (iv) Explain **one** disadvantage to Aaron Furniture Ltd of using a break-even forecast.

.....

 [2]

- 2 (a) (i) Extract 2 describes how Aaron Furniture Ltd currently uses job production to make its bedroom furniture.

The table below lists four statements about job production. For each statement, tick **one** box to show if it is an advantage or a disadvantage of job production.

Statement	Advantage (✓)	Disadvantage (✓)
The furniture should be of high quality		
The furniture will not be cheap to produce		
The furniture will be made to the customers' exact designs		
Materials are not wasted on furniture that customers do not want		

[4]

- (ii) In Extract 2, lines 55 to 57, the Production Director, Catherine Patel, proposes 'that Aaron Furniture Ltd should produce only two different sizes of each piece of furniture instead of making bespoke furniture'. An alternative method that Aaron Furniture Ltd could use is batch production.

Recommend whether or not Aaron Furniture Ltd should use batch production. Give reasons for your recommendation.

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- (b) (i) Using the information in Extract 4 of the case study, calculate the length of time that Aaron Furniture Ltd would need to use the biomass burner to cover the cost of buying and installing it. Show your working.

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..... [2]

- (ii) Extract 4, lines 69 to 70 state ‘The government is likely to provide a low interest loan to finance the purchase and installation of equipment such as a biomass burner’.

Explain **one** reason why the government offers businesses low cost loans to buy and install equipment such as biomass burners.

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..... [2]

- (iii) Explain **one** advantage and **one** disadvantage to Aaron Furniture Ltd of having a low cost loan, such as those offered by the government, to buy and install a biomass burner.

Advantage

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Disadvantage

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[4]

(c) Extract 5, lines 76 to 77 state that Aaron Furniture Ltd currently uses 'a traditional method of quality control in the Bowton factory whereby finished items are inspected before they leave the factory'.

(i) Explain **one** advantage to a business of using this traditional method of quality control.

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..... [2]

(ii) Explain **one other** method of quality control that Aaron Furniture Ltd could use in its Bowton factory.

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..... [2]

(d) Extract 6, lines 80 to 81 state 'The system that we currently use is to order wood every three months and store it in the warehouse next to the Bowton factory until needed'. An alternative system is to use 'just in time' ordering.

Discuss the advantages and disadvantages of both the current system and 'just in time' ordering to recommend which **one** of these systems Aaron Furniture Ltd should use in the future.

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[8]

(b) Extract 8 discusses the possibility of Aaron Furniture Ltd exporting bedroom furniture to either countries in the Eurozone or to Canada.

(i) Fig. 4 forecasts the increase in demand for bedroom furniture in the next 12 months in the Eurozone.

If total sales of bedroom furniture in the Eurozone are currently worth €100bn, calculate the value of total sales in the next 12 months. Show your working.

.....
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..... [2]

(ii) Fig. 5 forecasts a 5% increase in the price of bedroom furniture in Canada in the next 12 months. This will mean that one type of bedside table sold by Aaron Furniture Ltd will sell for C\$210 each in Canada.

Calculate the selling price of this type of bedside table in Canada before the 5% increase in price.

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..... [2]

(iii) Fig. 6 gives predicted changes in the exchange rate of the pound sterling (£). Using **five** of the words below, complete the paragraph that follows.

fall costs profits sales increase cheaper

The value of the pound sterling is predicted to rise against the euro (€). This may the price of the bedroom furniture Aaron Furniture Ltd sells to customers who live in countries that use the euro unless it can reduce its This may decrease sales and for Aaron Furniture Ltd. However, the value of the pound sterling is predicted to against the Canadian dollar (C\$). This may make the bedroom furniture that Aaron Furniture Ltd sells in Canada for customers to buy.

[5]

- (ii) Explain **one** advantage and **one** disadvantage to Aaron Furniture Ltd of being an environmentally friendly producer.

Advantage

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Disadvantage

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[4]

END OF QUESTION PAPER



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