

Centre Number						Candidate Number				
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
TOTAL	



General Certificate of Education
Advanced Subsidiary Examination
June 2009

Business Studies

BUSS1

Unit 1 Planning and Financing a Business

Thursday 21 May 2009 9.00 am to 10.15 am

For this paper you must have:

- a calculator.

Time allowed

- 1 hour 15 minutes

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Answers written in margins or on blank pages will not be marked.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 60.
- Questions 2(b) and 2(c) should be answered in continuous prose. In these questions you will be marked on your ability to:
 - use good English
 - organise information clearly
 - use specialist vocabulary where appropriate.

Advice

- You are advised to spend about 20 minutes answering Question 1.



J U N 0 9 B U S S 1 0 1

Read the **case study** and then answer the questions that follow.

Steve's 'Customised' Cars

Steve loved 'customising' cars (modifying the appearance and features of a car to make it unique). He was so talented that many of his friends in Felltown paid him to 'customise' their cars. Eventually he decided to set up his own business.

Steve expected most of his customers to be males aged 18 to 25 years old. He was reluctant to spend much money on market research so he interviewed 50 male contacts by using a questionnaire. He also posted 100 questionnaires to local residents but only five were returned. 5

Steve's sister, Tina, was surprised that Steve had conducted his market research on his contacts in Felltown. "Felltown was not the right place," she said. "Midford is much bigger and Bilchester has a much younger population because of its university." Tina also disagreed that most of his customers would be men. "I am the envy of all of my girlfriends because of the way you customised my Peugeot. Girls may be a better market than boys because they are more likely to pay someone else to customise their cars." 10

Steve's market research showed that he would have two different types of customer: 15

- those who wanted Steve to customise their cars
- those who wanted to customise their own cars.

Steve realised that his premises would need to accommodate both types of customer requirements. He would need car parking, a garage to work on the cars and a space to sell parts and materials to those wishing to customise their own cars. 20

Steve was worried about the financial aspects of his business. Tina, who was self-employed, advised him to:

- (a) get a good cash flow as soon as possible
- (b) budget very carefully
- (c) find out whether he could benefit from any government support for entrepreneurs. 25

Steve had little knowledge of budgets. The hardest part was the income (sales) budget as Steve was very unsure about how many customers he would get and the amount that they would pay. His market research suggested that over 75% of the people in his survey would use him and so he set a high income (sales) budget.

To research costs, he visited some existing 'customised car' businesses and their websites. He gained a limited idea of their costs and the stock levels held. However, he was concerned to hear rumours of unpredictable changes in the costs of customised parts. 30



Steve knew how much time it would take to customise a car but was not sure how many employees he would need. Steve decided to employ some students who were prepared to work part-time at the weekends. They would be enthusiastic, quite flexible and prepared to accept a low wage rate. 35

Steve gathered financial data to forecast his profit from customising cars. This is summarised in **Figure 1**.

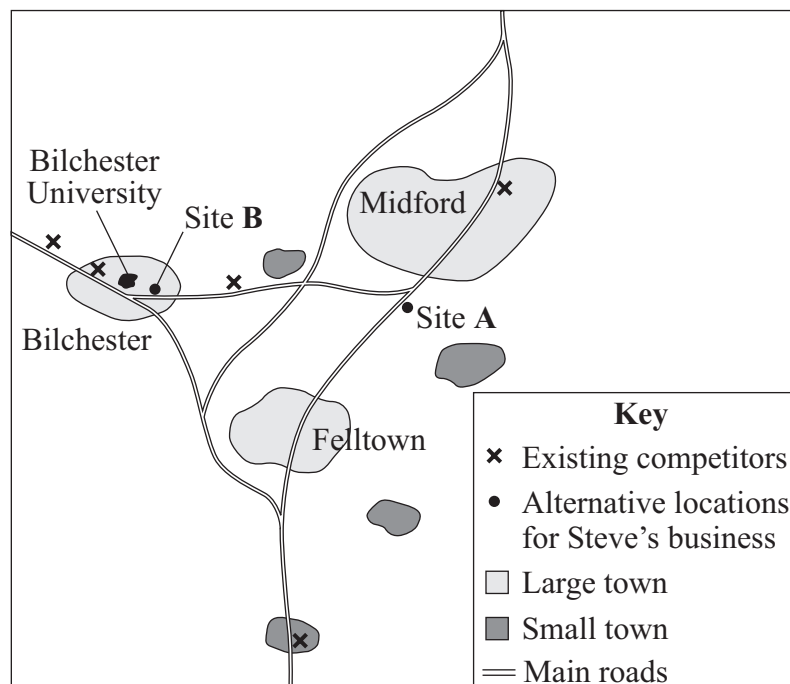
Figure 1: Forecast financial data for Steve's first year of business for customising cars

Item	Forecast Revenue / Cost
Fixed costs	£42 000 per annum
Average variable cost per customer	£160
Average spend (revenue) per customer	£440

Steve estimated that he would attract 250 customers who wanted him to customise their cars in his first year. 40

Steve found two possible locations for his business. **Site A** had a lower rent and was ideal for passing traffic. **Site B** was more expensive to rent because it was closer to the university. However, Steve wondered whether students could afford his services. Steve drew a map of the area and marked key places on it (see **Figure 2**). 45

Figure 2: Steve's map of the area



Turn over ►



Answer **all** questions in the spaces provided.

You are advised to spend about **20 minutes** on this question.

1 (a) Steve used personal interviews and postal questionnaires for his primary market research. State **one** other form of primary market research that Steve might have used.

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(1 mark)

1 (b) What is meant by the term ‘cash flow’ (line 23)?

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(2 marks)

1 (c) State **two** different ways in which the government supports entrepreneurs.

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(2 marks)

1 (d) Using the figures provided in **Figure 1**, calculate the ‘total contribution’ from the first 80 customers who wanted Steve to customise their cars.

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(4 marks)



1 (e) Using the figures provided in **Figure 1**, calculate the expected profit from customising cars for Steve’s business in its first year of trading, based on the assumption that it will attract 250 customers.

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(5 marks)

1 (f) Explain **two** possible advantages to Steve of using part-time employees in his business.

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2 (a) Analyse the limitations of Steve’s primary market research.

A large rectangular box containing 20 horizontal dotted lines for writing an answer.

(9 marks)

Text: (Extra space) followed by 5 horizontal dotted lines for additional writing space.



2 (b) Discuss the main difficulties that Steve may have encountered in setting his first budgets.

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END OF QUESTIONS



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