

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 2010

Business Studies

BUSS1

Unit 1 Planning and Financing a Business

Monday 17 May 2010 1.30 pm to 2.45 pm

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. Do not write outside the box around each page or on blank pages.
- 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 1 0 B U S S 1 0 1

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

Anya's Restaurant

Anya Prusik is a very creative individual. She earned a high salary in a marketing role for a large company. However, Anya was more interested in entrepreneurial activities and was prepared to accept a lower income and mortgage her flat to fund a new restaurant. This would allow her to pursue her passion for good food and use her creative and marketing skills in devising menus and promoting the business.

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An opportunity arose when a restaurant in the city centre became vacant. The rent was high but the local infrastructure was good. Refurbishing the premises and marketing would be the main start-up costs.

Anya decided on a niche market segment of people with a taste for Eastern European food. A growing number of people in the city were migrating from Eastern Europe. Using quota sampling, she surveyed potential customers and concluded that she could expect 180 customers per week, spending an average of £25 per head.

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Anya's market research was based on a small sample. However, her marketing campaign raised a lot of awareness in the city and she was very thorough in her preparation of the menu and planning the layout of the restaurant. She also discussed her business plan with a number of experts who provided useful advice on legal matters, location and running the restaurant. The restaurant would trade under the name 'Anya's'. Anya aimed to achieve high added value from her restaurant because it would be the only one in the city offering Eastern European food.

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In addition to Anya's initial stake of £50 000, a venture capitalist was approached to provide additional financial backing. He had been involved in setting up a number of small restaurants and knew a lot of useful contacts, such as catering suppliers. He was also a financial expert, a skill that she lacked. Anya felt confident that she could handle all of the other management tasks.

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At first, the venture capitalist was reluctant to invest in Anya's business because she was a sole trader. In the end, he agreed to have no ownership of the business. Instead, he would provide £40 000 of finance in the form of a loan at a rate of interest of 12% per annum. The loan would be repaid in one lump sum after 18 months. Anya's bank had offered a 6% rate of interest and a longer time for repayment.

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With help from the venture capitalist, Anya drew up an expenditure budget for the first 13 weeks of trading. The figures were based on the data in **Figure 1**.

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Figure 1: Forecasts based on Anya's market research

Weekly fixed costs	£1800 (original estimate)
Ingredient costs per customer	£6
Other variable costs per customer	£4

Based on her forecasts, Anya calculated that her predicted break-even quantity would be 120 customers per week.



The restaurant opened on 1 February. The financial expertise of the venture capitalist enabled Anya to reduce her variable costs below the budgeted targets and Anya's brilliant marketing led to very high customer numbers. 35

However, in March disaster struck! The Head Chef resigned, complaining that Anya had too much say in the menu offered. For the next four weeks the quality of the food (and the restaurant's reputation) worsened and the business experienced a severe cash flow problem. Having taken advice from the venture capitalist, Anya approached her friend, Otto, who was an experienced chef in a top London hotel. Otto agreed to join the business as long as Anya accepted two conditions: 40

- Otto would have complete control of the kitchen and the menu
- the business would become a partnership, with Otto and Anya each being entitled to 50% of the profit made. 45

In return, Otto agreed to put £50 000 into the business, to match Anya's initial stake. This injection of cash would be immediate.

Anya and Otto worked well together. Otto's outgoing personality inspired the other staff and his organisational skills led to a more efficient kitchen. Within a month, customer numbers had recovered. On 2 May the business recorded a profit of £15 000 for the first 13 weeks of trading, despite fixed costs being higher than forecast. Anya claimed that this result was due solely to the quality of her business planning. 50

Turn over for the questions

Turn over ►



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

You are advised to spend no more than **20 minutes** on Question 1.

1 (a) What is meant by the term 'infrastructure' (line 7)?

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(2 marks)

1 (b) What is meant by the term 'quota sampling' (line 11)?

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(2 marks)

1 (c) Explain **one** personal characteristic of Anya that enabled her to succeed as an entrepreneur.

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(3 marks)

Extra space

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1 (d) Explain **one** possible advantage to Anya’s business of the decision to sell in a niche market.

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(4 marks)

Extra space

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1 (e) Based on the information in the case study and the data in **Figure 1**, calculate Anya’s **original** budgeted profit for the 13 weeks, 1 February 2010 to 2 May 2010.

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(5 marks)

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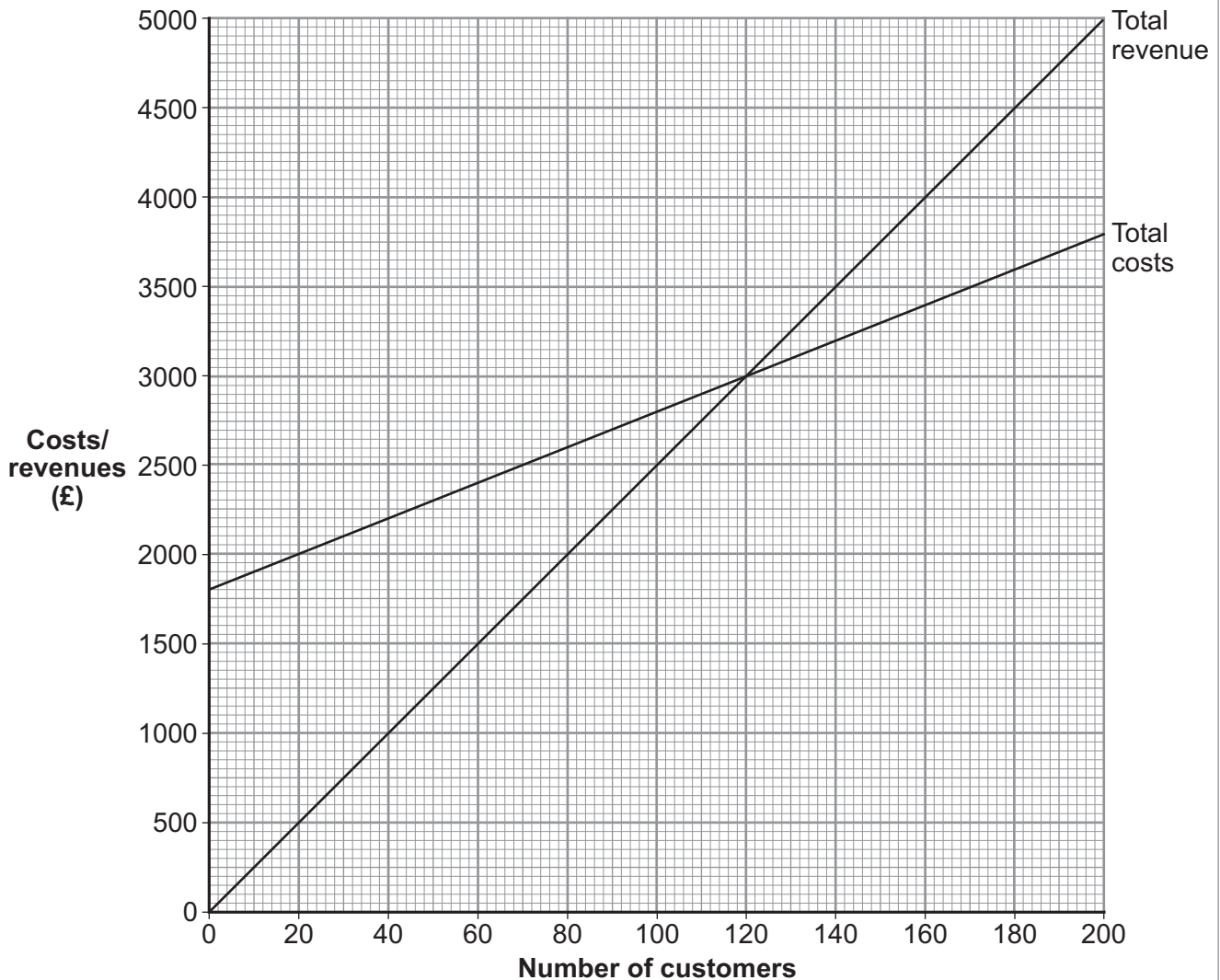


- 1 (f) **Figure 2** shows the original weekly break-even situation for Anya's restaurant, based on her forecasts. However, her forecast weekly fixed costs increased from £1800 per week to £2100 per week.

Amend the break-even chart below to show:

- 1 (f) (i) the new total costs line after the increase in fixed costs (label this TC2) (2 marks)
- 1 (f) (ii) the decrease in forecast profit as a result of the increase in fixed costs, based on 180 customers per week (label this 'bc' in the diagram). (2 marks)

Figure 2: Original weekly break-even situation for Anya's restaurant



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(16 marks)

Extra space

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END OF QUESTIONS



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ANSWER IN THE SPACES PROVIDED**

