

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
GCSE

A293/01

BUSINESS STUDIES

**Production, Finance and the
External Business Environment**

FRIDAY 24 MAY 2013: Morning

**DURATION: 1 hour 30 minutes
plus your additional time allowance**

MODIFIED ENLARGED

Candidate forename		Candidate surname	
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Centre number						Candidate number				
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Candidates answer on the Question Paper.

OCR SUPPLIED MATERIALS:

Clean copy Case Study

OTHER MATERIALS REQUIRED:

Calculators may be used

<p>A calculator may be used for this paper</p>

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

- **Write your name, centre number and candidate number in the boxes on the first page. 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).**
- **Make sure that all your answers relate to the pre-released 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 (*).**
- **Any blank pages are indicated.**

Answer ALL the questions.

1 (a) Use the information provided in Fig. 1 of the case study to answer the following questions.

(i) State the name of the country in which AS plc made the most profit in 2010.

_____ **[1]**

(ii) Calculate the TOTAL profit made by AS plc for the selected markets in 2010. Show your working.

_____ **[1]**

(iii) Calculate the increase in the VALUE of the profits made by AS plc in China between 2010 and 2011. Show your working.

_____ **[2]**

(b) Using the information in Section One of the case study, explain THREE reasons why there has been a greater rise in the profits made by AS plc in the BRIC countries compared to the UK in 2011.

1 _____

2 _____

3 _____

[6]

- (c) Fig. 2 of the case study shows that the AS1 model sold for £80 000 in the UK but for the equivalent of £240 000 in China.

Calculate the percentage DIFFERENCE in the price for the AS1 model between the UK and China.
Show your working.

[2]

(d) Section Two, paragraph 2, of the case study refers to ‘some benefits’ which UK membership of the European Union (EU) may bring to AS plc.

(i) Tick (✓) to indicate whether each of the following statements is true or false about the benefits to AS plc of the UK being a member of the EU. [4]

STATEMENT	TRUE	FALSE
There will be no transport costs when moving cars from the AS plc factory in the UK to any other country within the EU.		
There will be no tariffs levied by other EU countries if they import AS plc cars.		
AS plc will not be able to employ workers from other EU countries.		
AS plc will be able to sell the cars it designs for the UK market in other EU countries because of common standards.		

(ii) Explain ONE reason why UK membership of the EU may NOT be a benefit to AS plc.

[2]

- (e) The table below shows how the price of the AS1 model, sold in China by AS plc, is converted to Chinese Yuan at the exchange rate of £1 = 10 Yuan.

PRICE OF THE AS1 MODEL IN £s IN CHINA	PRICE OF THE AS1 MODEL IN YUAN AT A RATE OF £1 = 10 YUAN
£240 000	<div style="text-align: right;"> £240 000 × 10 Yuan <hr/> Price in Yuan 2 400 000 </div>

- (i) Using the table below, calculate the new price of the car in Yuan if the exchange rate became £1 = 5 Yuan. [2]

PRICE OF THE AS1 MODEL IN £s IN CHINA	PRICE OF THE AS1 MODEL IN YUAN AT A RATE OF £1 = 5 YUAN
£240 000	<div style="text-align: right;"> £240 000 × New Price in Yuan _____ _____ </div>

- (ii) AS plc buys tyres from Agnelli Tyres in Italy. It pays Agnelli Tyres €120 for each tyre. At an exchange rate of £1 = €1.2 the cost in £s to AS plc is £100. If the exchange rate rose to £1 = €1.5, what would be the effect on the price which AS plc must pay in £s for tyres from Agnelli Tyres?

[2]

- (iii) Section Three of the case study, states ‘The costs of many of the components which AS plc buys from businesses in other EU countries have been rising because of inflation.’ (lines 80–83).**

Analyse TWO strategies which AS plc might use in order to deal with these increases in costs.

1 _____

2 _____

[6]

(f) Using information in the case study, explain TWO ways in which globalisation affects AS plc.

1 _____

2 _____

[4]

- 2 (a) (i) One of AS plc's major competitors produces all its cars on a production line.**

Recommend the method of production – job, batch or flow – which this major competitor should use. Give reasons for your answer.

Recommended method of production

Reasons for recommendation

[3]

- (ii) Jensing Wheels makes a range of different wheels.

Recommend the method of production – job, batch or flow – which Jensing Wheels should use. Give reasons for your answer.

Recommended method of production

Reasons for recommendation

[3]

- (b) Section Three, paragraph 3, of the case study refers to the production of disc brakes by Dunajec Engineering.

Tick (✓) to indicate whether each of the following statements is true or false about Dunajec Engineering.

[3]

STATEMENT	TRUE	FALSE
No other businesses currently produce the same product		
It is in a competitive market		
It is a monopoly		

- (c) Agnelli Tyres is concerned about increasing competition from the other major tyre producers in the world.**

Recommend how it may change its competitive environment. Give reasons for your recommendations.

[8]

[illegible]

- (d) Section Four of the case study refers to ‘a patent’ which AS plc has taken out on its new engine designs.**

Tick (✓) the statement below which describes the benefit to AS plc of having a patent on its new engine designs.

[1]

	(✓)
It prevents other businesses from copying AS plc’s new engine designs without permission.	
It prevents other businesses from developing their own engine designs.	

- (e) Section Three, paragraph 3, of the case study refers to the ‘just-in-time’ method of stock control.**

- (i) What is meant by ‘just-in-time’ stock control?**

[2]

- (ii) State and explain ONE advantage and ONE disadvantage to firms such as AS plc of using the ‘just-in-time’ method of stock control.**

Advantage _____

Disadvantage _____

[4]

- (f)* Section Four of the case study, states ‘There have been lots of letters to the Bowton Gazette about the social benefits and costs of the AS plc factory development.’ (lines 108–111).**

Are the social benefits of the AS plc factory development likely to be greater than the social costs? Give reasons for your answer. **[6]**

[illegible]

- 3 (a) Section Four, paragraph 1, of the case study reports that the EU is concerned about the environment.**

Use a tick (✓) to show whether each of the following statements is true or false.

[4]

STATEMENT	TRUE	FALSE
People benefit from the environment because it provides natural resources which are used to produce goods and services.		
There is no problem with the use of fossil fuels such as oil and coal because there is an unlimited supply of them.		
The CO₂ emissions caused by motor cars are an example of pollution of the environment.		
One way of making production more sustainable is to develop the use of alternative technology such as biofuels.		

(b)* Section Four, paragraph 2, of the case study states that AS plc will use ‘state-of-the-art’ technology in the factory it plans to build to produce the new engines.

Discuss whether or not AS plc is correct in introducing ‘state-of-the-art’ technology to make the new engines. You should refer to the advantages and disadvantages of using new technology in your answer.

[8]

- (c) The list below gives examples of some of the costs which AS plc will have to pay when the new factory is up and running. Write the letters A, B and C in the correct boxes below to show whether each cost is a fixed cost or a variable cost of production. [3]

- A. The business rates on the factory.
- B. The cost of raw materials.
- C. The cost of electricity to power the machines.

FIXED COSTS OF PRODUCTION	VARIABLE COSTS OF PRODUCTION

- (d) Section Four, paragraph 3, of the case study states that AS plc hopes to get a grant from the government towards the cost of the new factory.

Explain why the government might be willing to give a grant to AS plc to help towards the cost of building the new factory.

[3]

(e)* AS plc is considering the use of its retained profits or a loan from a bank to finance the purchase of the ‘state-of-the-art’ technology.

Recommend which of these methods of finance AS plc should use. Give reasons for your recommendation.

[8]

[illegible]

(f) Once the factory is completed, AS plc recognises that there will be a time before it receives revenue from the sales of its cars with the new engines.

Explain why this might be a problem for AS plc.

[2]

END OF QUESTION PAPER

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