



**GCE A level**

1084/01

**BUSINESS STUDIES – BS4**

A.M. THURSDAY, 20 June 2013

2 hours

### **ADDITIONAL MATERIALS**

In addition to this examination paper you will need:

- a calculator
- a 12 page answer book.

### **INSTRUCTIONS TO CANDIDATES**

Use black ink or black ball-point pen.

Write your answers in the separate answer book provided.

Answer **all** the questions in Section A and **one** question from Section B.

You are advised to spend no more than 1 hour and 15 minutes on Section A.

### **INFORMATION FOR CANDIDATES**

The number of marks is given in brackets at the end of each question.

You are reminded that assessment will take into account the quality of written communication used in answers that involve extended writing (Section B).

You are reminded that the essay questions in Section B are synoptic and so will test understanding of the connections between different elements of the subject.

## SECTION A

Answer **all** the questions.

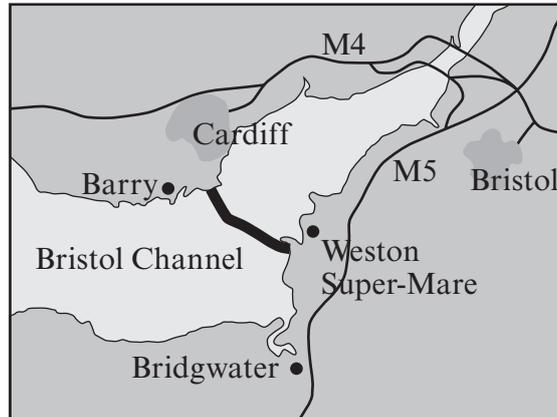
1. JKP Ltd is a medium-sized business that manufactures ready-made meals. It was founded in 1974 by John Kenneth Pickles and is run today by his son, Peregrine. Peregrine has recently been studying the outcome of last year's company budget as shown in the table below.

	Budgeted (£000s)	Actual (£000s)	Variance (£000s)
Sales Revenue	2850	2420	(i)
Cost of Sales	1980	1760	(ii)
Gross Profit	870	660	(iii)

- (a) Calculate the values of the variances for (i), (ii) and (iii), stating in each case whether the variances are adverse or favourable. [3]
- (b) Explain likely reasons for the variances in the sales and cost of sales. [7]
2. Frederick Crumb Ltd manufactures components for the car industry. At the beginning of last year the company had 240 employees in its factory. Melissa Rossi, the Human Resources manager calculated that by the end of the year the company had experienced a labour turnover of 15 per cent compared with the previous two years when it had been well below 10%.
- (a) Calculate the number of employees that left the company last year. (*Show your workings.*) [2]
- (b) Explain the possible reasons as to why labour turnover has increased **and** the ways in which the management of Frederick Crumb Ltd might respond. [8]
3. In the year 2011, the average net household income in the UK was £24 000 and sales of digital television sets was 6 million. A year later average net household incomes had risen to £26 000 and sales of digital television sets had reached 6.7 million.
- (a) Using this information, calculate the **income elasticity of demand** for digital television sets. (*Show your workings.*) [4]
- (b) Discuss the usefulness of the theory of income elasticity of demand to a manufacturer of digital television sets. [6]

#### 4. New talks on Plan for Severn Barrage from Cardiff to Weston

UK government ministers are in talks with a private consortium, Corlan Hafren, over plans to build a multi-billion-pound barrage across the Severn Estuary which would harness tidal power between South Wales and Weston-Super-Mare to create electricity. Corlan Hafren is a consortium that includes Halcrow, which provides planning, design and management services for developing infrastructure and, engineering company Arup.



It has been estimated that a barrage could generate up to 5% of the UK's electricity needs. A government spokesman said that "this is an interesting proposition, particularly if it can contribute to the government targets for reducing carbon emissions by the year 2020. We are discussing with the consortium the next stages to develop the outline proposal, so it can be fully considered by the government to assess whether the benefits of the project in terms of economic growth and renewable energy justify the cost and the environmental consequences for the Severn Estuary."

The Department of the Environment said that potential environmental impacts of a barrage would have to be considered, a spokeswoman said that "any planned scheme needs to consider environmental impacts, for example on fish, birds and flooding as well as potential impacts on navigation and other sea users."

On its website the Corlan Hafren consortium says: "The Severn Barrage will act as a catalyst for regeneration in Wales and south-west England, bringing substantial new, permanent jobs to the region and creating an internationally recognised centre of expertise in renewable energy provision and manufacture.

The huge tidal range in the Severn Estuary could be a source of carbon-free electricity over a very long term, providing significant benefits in jobs, practical skills and supply chain.

We recognise the estuary is important for its special environmental features, and the potential impact on these must be considered in the assessment of different technologies for harnessing the energy of the tidal range".

Before making a final decision as to whether or not the consortium should be allowed to proceed with the plan, the government has decided that a cost-benefit analysis should be carried out.

Source: *www.bbc.co.uk* 7 December 2011

Consider the issues that will need to be taken into account when undertaking a cost-benefit analysis of the Severn Barrage. [10]

**SECTION B**

*Answer one of the following questions.*

5. “Businesses only exist to make profits for their shareholders; rarely is any consideration given to matters of ethics.” Discuss this statement, giving relevant examples where appropriate. [20]
  
6. Evaluate the proposition that the most successful businesses are always those that invest the most money in new technology. [20]
  
7. Discuss the view that oligopolistic businesses, such as car manufacturers, supermarkets and banks, often act against the public interest. [20]