READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name in the spaces at the top of the front page.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer ALL questions.

The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.

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 80.
Adele started a dance school five years ago. Every year Adele pays herself a salary and makes $1000 profit. The school offers a range of dance and exercise classes for children. It is a sole trader business. Adele believes using the right pricing method is important. Adele wants to expand the business by opening a second dance school. Based on her business plan, she forecasts that this will cost $8000. Adele cannot decide whether a bank loan is the best source of finance for this expansion.

(a) Identify TWO features of a sole trader.

Feature 1: ____________________________________________________________

Feature 2: ____________________________________________________________ [2]

(b) Identify TWO of the main sections of a business plan.

Section 1: ____________________________________________________________

Section 2: ____________________________________________________________ [2]
(c) Identify and explain TWO reasons why using the right pricing method is important for Adele’s business.

Reason 1: ____________________________________________

__________________________________________

Explanation: _______________________________

__________________________________________

Reason 2: ____________________________________________

__________________________________________

Explanation: _______________________________

__________________________________________ [4]
(d) Identify and explain TWO location factors that Adele should consider when deciding on a second school.

Factor 1: ____________________________________________
______________________________________________________
Explanation: __________________________________________
______________________________________________________
______________________________________________________
______________________________________________________

Factor 2: ____________________________________________
______________________________________________________
Explanation: __________________________________________
______________________________________________________
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[6]
(e) Do you think that a bank loan is the best source of finance for Adele to use to expand the business? Justify your answer.

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__________________________________________________________________________ [6]
JSF is a business in the private sector. It has 50 production workers who operate machines. JSF makes a range of household products including towels and bed sheets. Most of the products are sold to retail businesses that take two months to pay JSF. The business is given two weeks’ credit to pay its suppliers. The Finance manager has just prepared a cash flow forecast. He said: ‘Cash outflows are too high. I have already reduced the budget for market research to zero. Training costs are $1000 per month and cannot be reduced as training is important.’ The Finance manager is thinking of other ways to improve cash flow.

**TABLE 1: CASH FLOW FORECAST FOR JSF FOR THE PERIOD JULY–SEPTEMBER 2017 ($000)**

<table>
<thead>
<tr>
<th></th>
<th>July</th>
<th>August</th>
<th>September</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash inflows</td>
<td>120</td>
<td>100</td>
<td>90</td>
</tr>
<tr>
<td>Cash outflows</td>
<td>150</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>X</td>
<td>(20)</td>
<td>(30)</td>
</tr>
<tr>
<td>Opening balance</td>
<td>60</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td>Closing balance</td>
<td>30</td>
<td>10</td>
<td>Y</td>
</tr>
</tbody>
</table>

(a) What is meant by a cash flow forecast?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________ [2]
(b) Calculate the values for X and Y.

X: ________________________________________

Y: ________________________________________ [2]

(c) Identify and explain TWO benefits to JSF of market research.

Benefit 1: ________________________________________

________________________________________________

Explanation: ________________________________________

________________________________________________

Benefit 2: ________________________________________

________________________________________________

Explanation: ________________________________________ [4]
(d) Identify and explain TWO reasons why training is important to JSF.

Reason 1: ____________________________________________

Explanation: ____________________________________________

Reason 2: ____________________________________________

Explanation: ____________________________________________
(e) Explain TWO ways (other than lower training costs) that JSF could improve its cash flow position. Which way do you think JSF should use? Justify your answer.

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________________________________________________________________________ [6]
DPC operates 200 takeaway pizza shops. Over 75% of its pizzas are ordered through e-commerce. The Managing Director thinks 2017 was a successful year. She said: ‘Looking ahead, there are signs that the economy is growing. However, DPC has a number of challenges. The Government plans to increase the minimum wage to $5 per hour. DPC has to respond to environmental pressures as well. Food waste and litter caused by used pizza boxes are problems. Complaints from the local community about this are too high.’

(a) Identify TWO ways to measure business success.

Way 1: _____________________________________

__________________________________________

Way 2: _____________________________________

_______________________________________  [2]

(b) Identify TWO features of a growing economy.

Feature 1: _____________________________________

__________________________________________

Feature 2: _____________________________________

_______________________________________  [2]
(c) Identify and explain TWO ways in which an increase in the minimum wage could affect DPC.

Way 1: _____________________________________

__________________________________________

Explanation: _____________________________

__________________________________________

Way 2: _____________________________________

__________________________________________

Explanation: _____________________________

__________________________________________  [4]
(d) Identify and explain TWO advantages to DPC of using e-commerce.

Advantage 1: _______________________________

________________________________________________________________________

Explanation: _______________________________

________________________________________________________________________

________________________________________________________________________

Advantage 2: _______________________________

________________________________________________________________________

Explanation: _______________________________

________________________________________________________________________

________________________________________________________________________

[6]
(e) Explain TWO ways in which DPC could respond to environmental pressures. Recommend which of the two options it should choose. Justify your answer.

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JKL uses job production to make clocks. JKL buys all its raw materials locally and exports 60% of its products. The business has high fixed costs. JKL has 30 skilled employees. Many of them work part-time and delegation is encouraged. All workers receive an email from management every day to keep them informed about production issues. The Human Resources Director said: ‘I think it is more cost-effective to try to retain our existing workers rather than to recruit new employees.’ The Director wants to reduce barriers to communication, as he knows effective communication is important to help JKL meet its objectives.

(a) Identify TWO reasons for a business having objectives.

Reason 1: ________________________________________________________

__________________________________________

Reason 2: ________________________________________________________

__________________________________________ [2]

(b) Identify TWO fixed costs for JKL.

Cost 1: ____________________________________________________________________

__________________________________________________________________________

Cost 2: ____________________________________________________________________

__________________________________________________________________________ [2]
(c) Identify and explain ONE advantage and ONE disadvantage to JKL of using job production.

Advantage:  

Explanation:  

Disadvantage:  

Explanation:  

[4]
(d) Identify TWO possible barriers to communication for JKL. For each barrier, explain how JKL could reduce or remove it.

Barrier 1: __________________________________________________________

______________________________________________________________

How to reduce or remove it:

______________________________________________________________

______________________________________________________________

______________________________________________________________

______________________________________________________________

Barrier 2: _________________________________________________________

______________________________________________________________

How to reduce or remove it:

______________________________________________________________

______________________________________________________________

______________________________________________________________

______________________________________________________________

[6]
(e) Do you agree that it is better for JKL to try to retain existing workers rather than recruit new employees? Justify your answer.
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