Surname	Centre Number	Candidate Number
First name(s)		0

GCSE

C510U10-1

S24-C510U10-1

eduqas
Part of WJEC

TUESDAY, 14 MAY 2024 – AFTERNOON

BUSINESS – Component 1
Business Dynamics

2 hours

For Examiner's use only		
Question	**Maximum Mark**	**Mark Awarded**
1.(a)	**2**	
1.(b)	**2**	
2.	**3**	
3.	**3**	
4.	**5**	
5.(a)	**3**	
5.(b)	**2**	
6.	**20**	
7.	**20**	
8.	**20**	
9.	**20**	
Total	**100**	

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ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen. Do not use gel pen or correction fluid.

You may use a pencil for graphs and diagrams only.

Answer **all** questions.

Write your name, centre number and candidate number in the spaces at the top of this page.

Write your answers in the spaces provided in this booklet.

Additional space is provided for some questions within the booklet (if required). If further space is required for any question, you should use the additional page(s) at the end of this booklet. The question number(s) should be clearly shown.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question. You are advised to divide your time accordingly.

The total number of marks available is 100.

You are reminded of the need for good English and orderly, clear presentation in your answers.

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

1. A cash flow forecast is used to predict cash inflows and outflows in a business.

(a) Identify which **two** of the following are examples of cash inflows. [2]

Tick (✓) **two** boxes only.

Income from sales	
Loan repayments	
Business rates	
Money invested by owners	
Wages	

Below is an extract from a cash flow forecast.

Total cash inflows	£16900
Total cash outflows	£4500
Net cash flow	?
Opening balance	£2000
Closing balance	?

(b) Use the data in the cash flow forecast to calculate the following:

(i) Net cash flow [1]

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(ii) Closing balance [1]

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Examiner only

2. Asda is a supermarket that sells a range of products to customers in the UK. Asda has a range of stakeholders, including customers.

(a) Apart from customers, suggest **one** stakeholder involved in business activity. [1]

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(b) Explain how Asda is influenced by its customers. [2]

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3. Marriott is an international hotel group. In 2016 Marriott merged with Sheraton, another international hotel group.

(a) State what is meant by a merger. [1]

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(b) With reference to Marriott and Sheraton, identify and describe the type of integration that took place when the two businesses merged. [2]

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Turn over.

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4. Below are a number of terms used in business.

Quantitative data	Public sector	Private sector

Loss	Partnership	Social enterprise	Profit

Qualitative data	Break-even	Revenue

Identify which of the above terms best describes each of the following:

(a) The income a business receives from selling its goods and services. [1]

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(b) The level of production where total costs and total revenue are equal. [1]

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(c) Organisations owned and controlled by the government, such as the NHS. [1]

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(d) Involves views and opinions recorded as text and words. [1]

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(e) A business that operates for the benefit of the community. [1]

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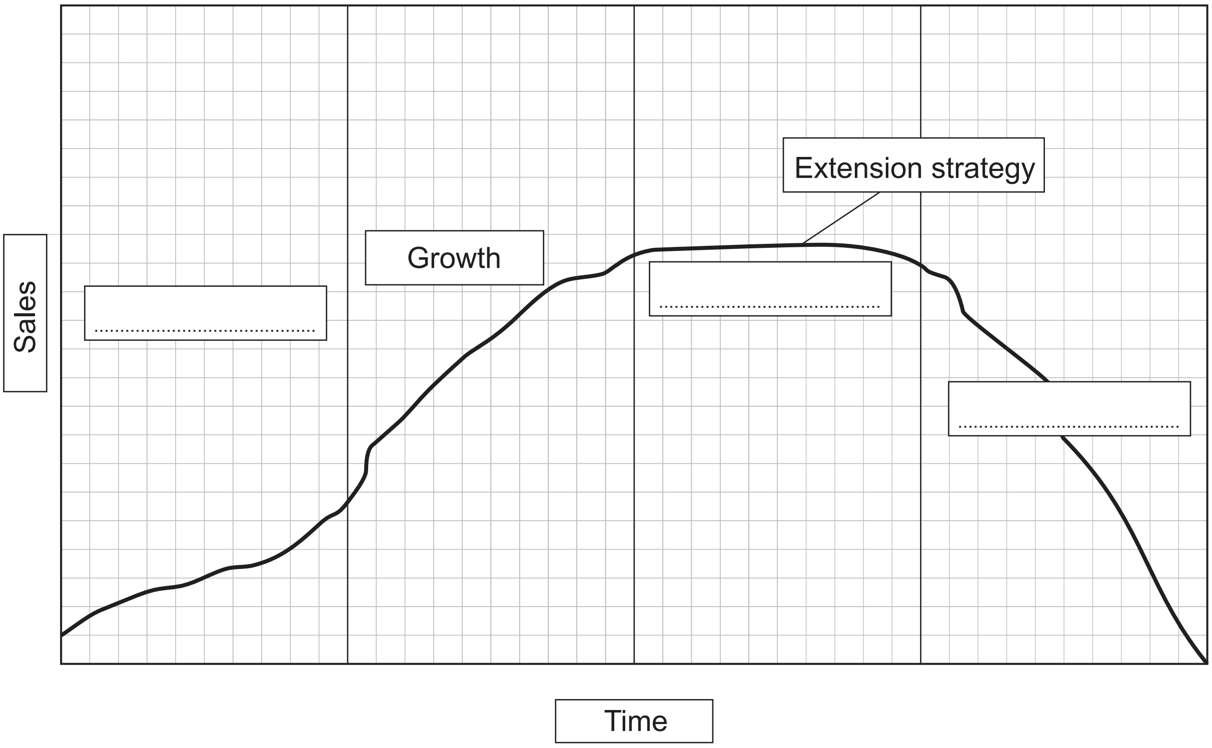
Examiner only

5. Below is a partially completed product life cycle diagram.

(a) Complete the diagram by writing the missing stages in the correct boxes. [3]



(b) Identify **two** features of the growth stage of the product life cycle. [2]

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6. Ellie inherited a dairy farm from her grandparents 10 years ago. She runs the farm with her husband Dave.

Ellie and Dave own 100 cows. The cows get milked twice per day. The milk produced is sold to milk processing businesses that prepare and bottle the milk to sell to shops and supermarkets.

The price dairy farms receive for the milk they sell is decreasing as shops and supermarkets try to buy milk as cheap as possible. There are over 13 000 dairy farms in the UK. Ellie is finding it difficult to make much profit in such a competitive environment. Ellie and Dave are trying to come up with ways of increasing the farm's profit margins.

(a) State what is meant by the competitive environment. [1]

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Figure 1 shows the profit and loss accounts (income statements) for Ellie's farm for the period 2021 to 2023.

Figure 1 – Ellie's farm's profit and loss accounts (income statements)

	2021 (£)	**2022 (£)**	**2023 (£)**
Sales revenue	190 000	184 000	180 000
Cost of sales	76 000	80 960	82 800
Gross profit	114 000	?	97 200
Gross profit margin	60%	56%	54%
Expenses			
Farm maintenance	23 500	21 075	20 000
Fuel and energy	11 500	12 005	10 900
Wages	49 800	45 000	43 600
Other expenses	15 900	13 000	12 800
Total expenses	?	91 080	87 300
Net profit	13 300	11 960	9 900
Net profit margin	7%	6.5%	?

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(b) Define the term cost of sales. [1]

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(c) (i) Calculate the total expenses for Ellie's farm in 2021. [1]

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(ii) Calculate the gross profit for Ellie's farm for 2022. [1]

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(iii) State the formula for calculating net profit margin (NPM). [1]

Formula: ....

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(iv) Use the formula to calculate the net profit margin (NPM) for Ellie's farm in 2023. [1]

Calculation: ....

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On average each cow produces 6500 litres of milk per year. There is usually surplus milk produced that the milk processing businesses do not want to buy. Typically, each cow produces 100 litres of surplus milk per year, which gets thrown away.

Ellie is considering investing in a new self-service vending machine for the dairy farm. This could be used to sell the surplus milk. Potential customers can visit the self-service vending machine that Ellie is considering locating in the town centre.

Ellie has carried out primary market research to see if a self-service vending machine is something that potential customers would use to purchase fresh milk. She asked 100 local people to complete a survey. The results are summarised below:

- 78% of people said they would use the self-service vending machine to buy fresh milk
- 32% of people stated that they were willing to pay a higher price for the fresh milk
- 67% would like to see other products, such as flavoured milk shakes

(d) State what is meant by primary market research. [1]

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The cost of the vending machine will be £7500. Ellie has calculated that she will make the following net profit over 3 years on the vending machine:

Year	**Annual return (net profit)**
1	£2500
2	£3000
3	£3500

(e) (i) State the formula for calculating the average rate of return (ARR). [1]

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(ii) Using the formula, calculate the ARR for the vending machine.
Show your workings. [2]

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Examiner only

(f) Using both the qualitative and quantitative data, evaluate Ellie's plan to invest in the new vending machine.

You must consider the following factors in your answer:

- Impact on the business' financial performance
- The use of market research data [10]

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Additional space for Question **6**(f) only:

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7. James King owns WOTSUP, a stand-up paddleboard (SUP) hire business based in a seaside location. James has been stand-up paddleboarding since he was 12 years old and finds it calming and relaxing. Stand-up paddleboarding is the fastest growing water sport in the UK. Before James started WOTSUP he had a stressful job in finance.

Members of the public can hire a SUP for £20 per hour.

(a) Identify which **one** of the following best describes the provision offered by WOTSUP. [1]

Tick (✓) **one** box only.

Personal service	
Non-durable good	
Commercial service	

(b) Explain **one** motive James may have had when deciding to start his own business. [2]

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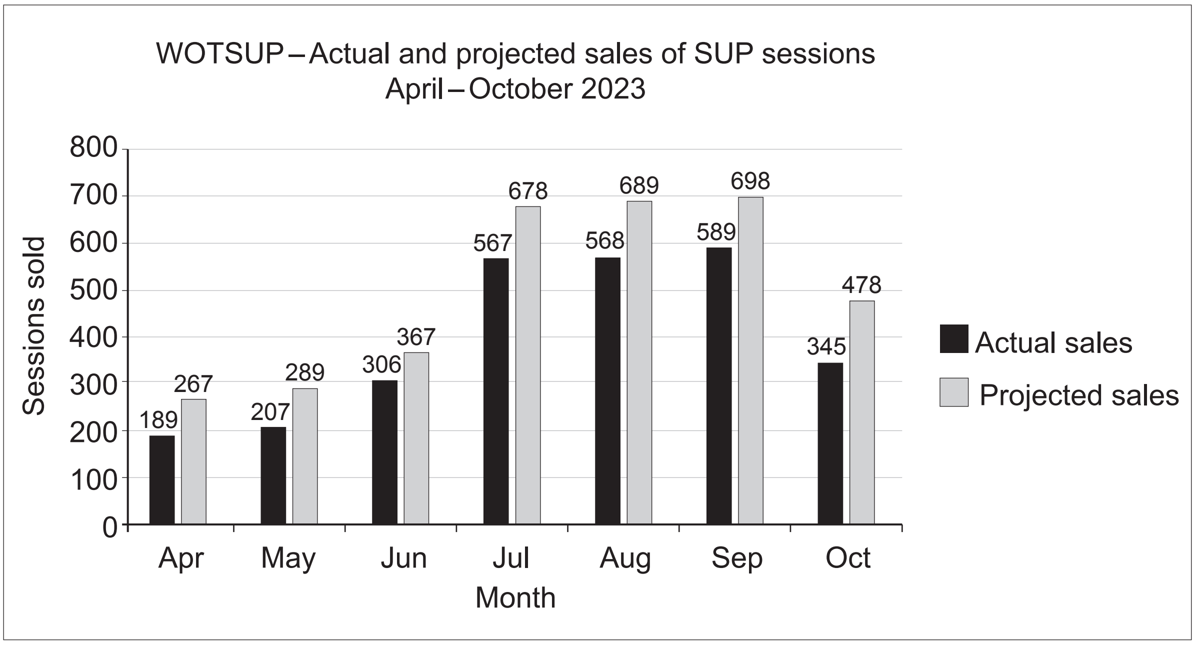
The number of customers hiring SUPs varies due to external influences. **Figure 2** shows the number of SUPs James hired out during 2023.

Figure 2



(c) (i) Explain **two** external influences that may impact on the number of customers hiring SUPs from WOTSUP. [4]

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Examiner only

(ii) Using the data in **Figure 2**, calculate the percentage change in the number of actual sales of SUPs between April and July. Show your workings. [2]

James is considering sales promotion to encourage people to hire the SUPs during months when sales are lower.

(d) Explain **one** suitable method of sales promotion James could use to encourage people to hire a SUP. [3]

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James is the only person running the business. He is often unavailable to answer the phone to help customers with their booking. Customers sometimes want to book, cancel or change a SUP hire session at short notice, often up to the day before the session is booked.

James is considering two options:

- Employ a member of staff who can book, cancel or change SUP hire sessions. The member of staff can also provide information.
- Use an online booking system that will allow customers to book, cancel or change a SUP hire session. The system will allow customers to view all the available sessions.

James can only afford one of the above options.

(e) Advise James whether he should employ a new member of staff or introduce a new online booking system. [8]

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Examiner only

Additional space for Question **7**(e) only:

Examiner only

8. Not On The High Street was established by Holly Tucker and Sophie Cornish in 2006 as a partnership. Not On The High Street is an e-commerce business that provides an online platform for small businesses to sell their craft, gifts and personalised items. Not On The High Street do not hold stock; the items are sent directly from the small businesses to the customer.

(a) State what is meant by a partnership. [1]

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(b) Explain **two** reasons why e-commerce is popular with customers. [4]

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Examiner only

Not On The High Street sells products from over 5000 different small businesses. It has 39 million visitors to its website every year.

Not On The High Street do not accept just any small business to sell on its website. Over 80% of the small businesses that apply to sell on the website are not approved. Small businesses who are approved pay a one-off payment of £240 to start selling on the website plus a percentage of all sales. Small businesses must agree to the following quality standards:

- Products have to be wrapped in a certain way
- Products have to be delivered within a specific time frame
- High quality images of the products have to be included on the website
- All products have to have clear descriptions
- Small businesses must respond to any customer queries within a specific time frame.

(c) Explain the importance of quality to Not On The High Street. [6]

Additional space for Question **8**(c) only:

Examiner only

(d) When buying online, customers are protected by legislation. Select which of the following laws refers to this: [1]

Tick (✓) **one** box only.

Employment law	
Consumer law	
Intellectual property law	

(e) Analyse the advantages and disadvantages to small businesses of using the Not On The High Street online platform to sell its products. [8]

Examiner only

Additional space for Question **8**(e) only:

Examiner only

9. Drake's Estate Agents is a business that sells and rents property. It acts on behalf of the buyers and sellers for a fee. People looking to buy or rent property can get information about houses and other properties from Drake's Estate Agents. The business collects customers' details when they show an interest in a property.

(a) Suggest computer packages that Drake's Estate Agents could use to complete the following tasks:

(i) Store customer details. [1]

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(ii) Write letters to customers. [1]

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Drake's Estate Agents receives a 1% fee on every property it sells. The sales staff receive 5% commission from the fee earned by Drake's Estate Agents.

(b) Calculate how much commission sales staff will earn on a property sold for £200 000. [2]

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Examiner only

In the UK in 2022, the average house price was £270 000. Most people who buy a house in the UK borrow money from a bank.

(c) Explain **two** economic factors that could impact on the housing market. [6]

Additional space for Question **9**(c) only:

Examiner only

Drake's Estate Agents employs 58 full-time sales staff and 25 part-time sales staff across its 8 branches. In addition to any commission earned on sales, staff earn the National Minimum Wage for the hours they work.

Drake's Estate Agents has had problems with sales staff leaving their jobs to work elsewhere. Qualified and experienced sales staff are difficult to find. This has impacted on the quality of service offered by Drake's Estate Agents.

The business is looking at the ways it can improve staff morale and the service it offers to its customers.

The business is considering using both financial and non-financial rewards to motivate its employees.

(d) Consider the financial and non-financial methods of motivation Drake's Estate Agents could use. [10]

Examiner only

Additional space for Question **9**(d) only:

END OF PAPER

Question number	Additional page, if required. Write the question number(s) in the left-hand margin.

Examiner only

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