




# Cambright Solved Paper

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Status	Done

- 1 Paolo wants to start up a business making cakes. He plans to sell all of his products to a wholesaler. Paolo knows the packaging for his products will be important. He has prepared some financial and sales data. An extract from this data is shown in Table 1.1. Paolo is considering using crowdfunding as a source of finance. He knows the business will also need working capital.

Table 1.1

Extract from Paolo's financial and sales data	
Average price per cake	\$6
Average cost per cake	\$4
Forecast average number of cake sales per day	50

(a) Define 'working capital'.

- Finance needed by a business to pay day-to-day costs
- The capital needed to finance the day-to-day running costs/expenses

(b) Calculate the average revenue per day. Show your working.

Price \* number of units sold

\$6 \* 50

Answer = \$300

(c) Outline **two** reasons why packaging will be important for Paolo's business.

- Protect the product or keep product safe helps ensure quality especially as selling cakes.
- Promote brand image or differentiate it from other products for this new business.
- Add value or higher price than \$6.
- Help advertise /attract customers/ increase sales.

Only need to answer 2 points.

(d) Explain **one** advantage and **one** disadvantage to Paolo's business of using crowdfunding as a source of finance.

Advantages:

- No/low interest [k] so does not increase cash outflows [an] for his startup
- Allows for the public reaction to be tested [k] the cakes [app] which could lead to more customers
- No need to repay/permanent so does not add to its liabilities or debt.

Disadvantages:

- No guarantee can raise full amount / may not raise enough / sufficient funds / must repay everyone if cannot raise full amount so must find another source.
- Competitors may learn more about your business before launch such as ideas for packaging leading to less revenue.
- Not a reliable/stable source of finance.

(e) Do you think selling to a wholesaler is the best channel of distribution for a start-up business to use? Justify your answer.

Selling to a wholesaler is the best channel of distribution for a start-up business to use. Customers are likely to buy in large quantities, increasing sales. Wholesaler saves storage space for small retailer and reduces storage costs. Only deliver to one location lowering transport costs. Sometime, it's can be more expensive for the small shop to buy from a wholesaler than if it bought straight from the manufacturer. There are also other disadvantages for wholesaler such as not having the full range of products to sell and taking longer for fresh produce to reach the shops, so may not be as good quality.

**2** TBX manufactures high-quality steel which is used to build railways. The method of production used allows TBX to benefit from economies of scale. The business holds a high level of inventory including iron ore. The Managing Director knows business activity could have an impact on the environment and is considering ways the business can contribute to sustainable development.

**(a)** Identify **two** ways business activity could have an impact on the environment.

- Pollution
- Energy use/use fossil fuels
- Congestion/transport of goods
- Land use/use up natural resources/deforestation

Only need to answer 2 points.

**(b)** Identify **two** ways a business could contribute to sustainable development.

- Reduce amount/number of resources used
- Reduce number of products made/level of output
- Reduce waste
- Reuse products/materials
- Recycle products/materials
- Use renewable energy

- Develop environmentally friendly products

Only need to answer 2 points.

**(c)** Outline **two** possible economies of scale TBX might benefit from.

- Purchasing (economy) for the iron ore .
- Technical (economy) to manufacture steel.
- Managerial (economy) helping contribute to sustainable development.
- Financial (economy) so can have a high level of inventory

Only need to answer 2 points.

**(d)** Explain **two** possible problems for TBX of holding a high level of inventory.

- Rent/storage space/large space needed [k] for the steel which can increase fixed costs/expenses
- Risk of damage/theft/wastage/product could rust leading to higher costs
- Ties up working capital such as iron ore which could lead to liquidity, cash flow problems/difficult to pay suppliers.

Only need to answer 2 points.

**(e)** Do you think quality control is the best method for a manufacturing business to use to achieve quality production? Justify your answer.

Quality control is the best method for a manufacturing business to use to achieve quality production. It is a process that uses best practices, strict adherence to standards, and specifications to deliver products without defects. Tries to eliminate/lower chance of faults before products reaches

customer to help maintain reputation. With quality control, production workers do not need extra training. Tries to eliminate/lower chance of faults before products reaches customer to help maintain reputation.

- 3 Country X has a mixed economy with both private and public sector organisations. These organisations are involved in different sectors of economic activity. In the last 20 years the primary sector has become less important to country X's economy. A summary of the changes is shown in Table 3.1. The government is planning to encourage multinational companies to set up factories in country X.

Table 3.1

Economic sectors in country X as a percentage of GDP			
Year	Primary	Secondary	Tertiary
2000	60%	15%	25%
2020	20%	30%	50%

- (a) Define 'public sector'.

Government/state owned businesses.

- (b) Define 'gross domestic product' (GDP).

The total value of output of goods and services in a country in one year.

- (c) Identify **four** types of business organisation in the private sector.

- Sole trader
- Partnership
- Private limited company
- Public limited company
- Joint venture
- Franchise

- Social enterprise

Only need to answer 4 points.

**(d)** Using the data from Table 3.1, explain **two** possible reasons for the changing importance of the primary sector in country X.

- Fewer/depletion of natural resources leading to a decrease in primary sector of 40% so workers must find jobs in other sectors/may need to import resources.
- Increased use of machinery/technology in primary sector reduces the need for employees which is why primary sector is only 20% in 2020.
- Industrialization/setting up of factories which creates jobs in the secondary sector which has increased by 15%.
- Better/increased education so workers seek higher paid jobs which is why tertiary sector has increased to 50%.
- Fewer grants/less government support for primary sector OR more grants for secondary/tertiary sector businesses

Only need to answer 2 points.

**(e)** Do you think the benefits to a country of having a multinational company located there are always greater than the drawbacks? Justify your answer.

Benefits

- Increase numbers and availability of jobs reduces unemployment.
- Increase taxes which can be used to improve public services
- Increase reputation of country could encourage other businesses to invest in the country.
- Wider choice and quality of goods.
- Improve infrastructure, new investment and new technology.

- Knowledge-sharing and new ideas.

#### Drawbacks

- Increased competition reducing sales for local businesses which can force them out of business/reducing revenue.
- Use up scarce resources so less resources for other uses.
- Send profits back to home country so country does not receive expected amount of tax revenue.
- Often only unskilled jobs created which may offer low wages, poor working conditions and exploitation of labour.

- 4 TFN is a travel business which sells holidays. It has 37 shops and 1000 employees. Last year TFN's profit increased to \$46 million. The Managing Director knows that good customer service has helped maintain customer loyalty. He said: 'TFN's managers use ideas from Herzberg's two-factor theory to help motivate employees. All employees are provided with off-the-job training and each manager has a wide span of control.'

(a) Identify **two** advantages to a business of maintaining customer loyalty.

#### Advantages

- Maintain/increase sales / repeat customers / customers return / not go to competitors.
- Improve reputation/brand image.
- Easier to introduce new products.
- Easier to gain feedback/learn about trends.
- May be able to increase prices/become price inelastic.

Only need to answer 2 points.

(b) Identify **two** hygiene factors from Herzberg's two-factor theory.

- Working conditions/safe environment
- Salary/wages/pay
- Relationships with other workers

- Relationships with supervisor

Only need to answer 2 points.

(c) Outline **two** reasons why profit might be important to TFN.

Measure of success of business as shown by profit of \$46 million increase in profit. Reward for risk-taking of this travel business.

Provides a return to shareholders / helps attract investors / pay dividends. Support loan applications

(d) Explain **one** advantage and **one** disadvantage to TFN of its managers having a wide span of control.

Advantage:

- Fewer supervisors/managers needed [k] helping reduce labour costs/expenses so may help increase its profit of \$46 million.
- Faster communication leading to quicker/better decision-making [an] in its 37 shops
- Encourages delegation [k] which can increase motivation of its 1000 employees.

Disadvantage:

- Less control so less work done/lower productivity [an] at the travel business.
- Workers might not have skills to cope with extra responsibility leading to mistakes.
- Managers might not have the necessary skills (to manage so many people.



- (e) Do you think off-the-job training is the best method of training for a service sector business to use? Justify your answer.

Off-the-job training is the best method for training for a service sector business to use. Off-the-job training use specialists and expert trainers which is expensive and increases costs. It's also have travel costs, increasing cash outflows but off-the-job training allows for mistakes to be made when learning and lower risk of damaging reputation. Employees are up to date and new skills can be gained. Compare to on-the-job training, off-the-job training is better especially for a service sector business because fewer mistakes can help protect the business reputation leading to extra customers helping cover the additional costs of the training.

# Additional notes

If you find any errors or mistakes within this paper, please contact us and we will fix them as soon as possible.