



## BUSINESS STUDIES (YEARLY)

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This reveals the extra/relevant information that are not required as part of the model answers but to enhance the student's analytical skills in answering theory/structured questions.

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① Tel No: 042-35201010

① Mobile No: 0300-8447654

✉ E-Mail: info@redspot.com.pk

🌐 Website: www.redspot.pk

📍 Address: P.O. Box 5041, Model Town, Lahore, Pakistan.

### Author: Mr. Shaiba Rizwan

B.Ed.

Mr. Shaiba Rizwan has been associated with teaching for the last 18 years and has helped many students attain distinctions in 'O' and 'A' level Business Studies.

Mr. Shaiba Rizwan is a distinction holder himself as he gained highest marks in the CIMA Managerial Gateway Examination in Pakistan to get the national distinction. He is currently teaching Business Studies in leading institutions of Lahore, Pakistan as a visiting faculty member.

He can be contacted at Tel: 0334-4057141

Email: shaibarizwan@gmail.com

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**C  
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Syllabus

Classification



June **2013** Paper 1 & Paper 2



November **2013** Paper 1 & Paper 2



June **2014** Paper 1 & Paper 2



November **2014** Paper 1 & Paper 2



June **2015** Paper 1 & Paper 2



November **2015** Paper 1 & Paper 2



June **2016** Paper 1 & Paper 2



November **2016** Paper 1 & Paper 2



June **2017** Paper 1 & Paper 2



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November **2021** Paper 1 & Paper 2



June **2022** Paper 1 & Paper 2



November **2022** Paper 1 & Paper 2



June **2023** Paper 1 & Paper 2



November **2023** Paper 1 & Paper 2



June **2024** Paper 1 & Paper 2



November **2024** Paper 1 & Paper 2

# CLASSIFICATION

## 2013 - 2024

### 1 Understanding Business Activity

#### 1.1 Business activity

N 2013/P1/Q4(a,b,d,e)	J 2014/P1/Q4(a)	N 2014/P2/Q5(a)	J 2015/P2/Q1(a)
N 2015/ P1/Q2(a)	J 2016/ P1/Q3(e)	J 2016/P1/Q4(b)	N 2016/ P1/Q1(a)
N 2017/ P1/Q1(a)	N 2017/ P1/Q2(a)	N 2017/P1/Q3(a)	N 2017/P2/Q2(a)
J 2018/ P1/Q1(b)	N 2018/ P1/Q1(a)	N 2018/P1/Q2(a)	N 2018/ P1/Q3(a)
J 2019/ P1/Q1(a)	J 2019/P2/Q2(a)	N 2019/P1/Q1(a)	J 2020/ P1/Q1(a)
J 2020/ P1/Q3(a)	J 2020/P2/Q2(a)	N 2020/P1/Q3(e)	J 2021/ P1/Q4(a)
N 2021/ P1/Q1(a)	N 2021/ P1/Q2(e)	J 2022/P1/Q4(b)	N 2022/P1/Q1(c)
J 2023/P1/Q2(a)	N 2023/P2/Q1(a)	N 2024/P1/Q1(e)	

#### 1.2 Classification of Business

N 2016/P1/Q4(b)	J 2017/P1/Q4(b)	N 2023/P1/Q3(a,d)	J 2024/P1/Q2(a)
N 2024/P1/Q1(a)			

#### 1.3 Enterprise, Business Growth and Size

J 2013/P2/Q5(b)	J 2014/P1/Q1(e)	J 2015/P1/Q4(a)	N 2016/P1/Q4(a)
N 2017/P1/Q3(d)	J 2018/P1/Q3(a)	N 2018/P1/Q3(b)	J 2020/P1/Q4(b)
J 2020/P2/Q1(a)	N 2020/P2/Q3(a)	N 2021/P1/Q4(e)	N 2021/P2/Q1(a)
J 2022/P1/Q4(a,c)	J 2022/P2/Q1(a)	N 2022/P2/Q1(a)	J 2023/P1/Q2(b)
J 2023/P2/Q1(a)	J 2024/P1/Q1(a,d,e)	N 2024/P1/Q1(b)	

#### 1.4 Types of Business Organisation

J 2013/P1/Q1(c)	J 2013/P1/Q5(c)	N 2013/P2/Q1(a)	J 2014/P1/Q2(b)
J 2014/P2/Q1(a)	J 2014/P2/Q5(b)	N 2014/P1/Q1(a,d,e)	N 2014/P2/Q1(a)
J 2015/P1/Q2(a,d,e)	N 2015/P2/Q1(a)	J 2016/P1/Q3(d)	N 2016/P1/Q4(c)
N 2016/P2/Q1(a)	J 2017/P1/Q3(e)	J 2017/P2/Q3(a)	N 2017/P2/Q1(a)
J 2018/P1/Q1(a)	N 2018/P1/Q4(a)	J 2019/P1/Q4(e)	N 2019/P1/Q2(a)
N 2020/P1/Q2(c)	N 2020/P2/Q2(a)	J 2021/P1/Q1(d)	J 2021/P2/Q1(a)
N 2021/P1/Q4(a)	N 2021/P2/Q1(b)	J 2022/P1/Q4(e)	N 2022/P1/Q1(d)
N 2022/P1/Q4(c)	J 2023/P1/Q2(d)	J 2023/P2/Q1(b)	N 2023/P1/Q3(c)
N 2024/P1/Q2(d)	N 2024/P2/Q1(a)		

#### 1.5 Business Objectives and Stakeholder Objectives

J 2013/P2/Q1(a)	J 2013/P2/Q2(a)	J 2014/P1/Q3(e)	N 2014/P1/Q1(c)
N 2014/P1/Q5(b)	N 2014/P2/Q4(a)	N 2015/P1/Q4(d)	J 2016/P2/Q1(a)
J 2016/P2/Q3(a)	N 2016/P1/Q1(d)	J 2017/P1/Q4(a)	J 2017/P2/Q2(b)
J 2018/P1/Q4(a)	J 2018/P2/Q2(b)	J 2019/P1/Q3(c)	J 2019/P2/Q1(b)
J 2019/P2/Q3(a)	N 2019/P1/Q1(d)	N 2019/P2/Q2(a)	J 2021/P1/Q3(e)
N 2022/P2/Q4(b)	J 2023/P1/Q4(d)	J 2023/P2/Q2(a)	J 2024/P2/Q1(a)
N 2024/P1/Q3(d)			

## 2 People In Business

### 2.1 Motivating Employees

J 2013/P1/Q3(c)	J 2013/P2/Q4(a)	N 2013/P1/Q3(d)	N 2013/P1/Q5(d,e)
J 2014/P2/Q4(a)	N 2014/P1/Q1(b)	N 2014/P1/Q4(e)	J 2015/P1/Q4(e)
N 2015/P2/Q2(a)	J 2017/P1/Q4(e)	N 2017/P1/Q3(e)	J 2019/P2/Q3(b)
N 2021/P1/Q4(b,c)	J 2020/P2/Q3(b)	J 2022/P1/Q2(b,c)	N 2023/P1/Q4(b)
N 2024/P2/Q1(b)			

### 2.2 Organisation and Management

J 2013/P1/Q1(d,e)	J 2013/P1/Q5(a)	N 2013/P1/Q5(a,b)	N 2013/P2/Q5(a)
J 2014/P1/Q1(a,c)	N 2014/P1/Q4(a,b)	N 2014/P1/Q5(a)	N 2014/P2/Q2
J 2016/P1/Q1(a,b,e)	J 2017/P1/Q4(d)	N 2017/P1/Q4(d,e)	J 2018/P2/Q1(a)
N 2018/P2/Q3(a)	J 2019/P1/Q2(b)	J 2019/P1/Q4(a)	N 2019/P2/Q2(b)
J 2020/P1/Q2(a)	J 2020/P1/Q3(b)	J 2021/P1/Q3(c)	N 2021/P2/Q4(a)
J 2022/P1/Q1(d)	N 2022/P1/Q3(b,c,d)	N 2022/P2/Q4(a)	J 2023/P2/Q4(a)
N 2023/P1/Q4(d)	J 2024/P1/Q3(a,b)	N 2024/P1/Q4(a,e)	N 2024/P2/Q2(a)

### 2.3 Recruitment, Selection and Training of Employees

N 2013/P2/Q4(b)	J 2014/P1/Q2(e)	J 2015/P1/Q1(d)	J 2015/P1/Q4(c,d)
J 2015/P2/Q1(b)	N 2015/P1/Q3(c,d)	N 2015/P2/Q2(b)	N 2016/P1/Q4(e)
N 2016/P2/Q3(b)	J 2017/P1/Q4(c)	J 2017/P2/Q2(a)	N 2017/P1/Q4(b)
N 2017/P2/Q3(a)	J 2018/P1/Q2(d)	J 2018/P1/Q4(e)	N 2018/P1/Q1(b,c)
N 2018/P1/Q4(c)	J 2019/P1/Q4(d)	N 2019/P1/Q3(a)	J 2020/P1/Q2(e)
N 2020/P1/Q1(b,c,e)	N 2020/P1/Q4(e)	N 2020/P2/Q2(b)	J 2021/P1/Q2(e)
J 2021/P2/Q3(b)	J 2022/P1/Q2(a)	J 2022/P2/Q3(b)	J 2022/P2/Q4(a)
N 2022/P2/Q3(b)	J 2023/P1/Q1(a,d)	N 2023/P1/Q4(e)	N 2023/P2/Q3(a)
J 2024/P1/Q3(d)	J 2024/P2/Q2(a)	N 2024/P1/Q4(b,c)	

### 2.4 Internal and External Communication

J 2013/P1/Q3(a,b)	N 2013/P1/Q5(c)	J 2014/P1/Q1(b,d)	J 2014/P2/Q3(b)
N 2014/P1/Q4(c)	N 2014/P2/Q3(b)	J 2015/P1/Q2(c)	N 2016/P1/Q3(c,d)
J 2018/P1/Q4(d)	J 2018/P2/Q1(b)	N 2019/P2/Q3(a)	N 2021/P1/Q1(d)
N 2022/P1/Q3(a)	J 2023/P1/Q2(c)	N 2023/P2/Q3(b)	J 2024/P2/Q3(d)

## 3 Marketing

### 3.1 Marketing Concepts

N 2014/P1/Q3(a,b,c)	J 2015/P1/Q3(a)	J 2015/P2/Q2(a)	N 2015/P1/Q3(e)
N 2015/P2/Q1(b)	J 2016/P1/Q2(a,b,c,d)	J 2017/P1/Q3(b)	N 2017/P1/Q4(a)
J 2019/P1/Q2(a)	N 2019/P1/Q3(b)	J 2020/P1/Q3(e)	J 2020/P1/Q4(d)
N 2020/P1/Q2(e)	N 2020/P1/Q4(d)	J 2021/P1/Q1(e)	N 2021/P1/Q1(e)
N 2021/P1/Q3(e)	N 2022/P1/Q1(a)	J 2023/P1/Q3(b)	J 2023/P2/Q3(b)
N 2023/P1/Q4(a)	J 2024/P1/Q1(b,c)		

## JUNE 2024 PAPER 1

### Short Answer and Data Response

#### Question 1

Nicky wants to be a successful entrepreneur. She plans to start up a travel business specialising in walking holidays. Nicky will be operating in a niche market. She is preparing a business plan to help with her decision-making. Nicky has been told government support is available for business start-ups. She knows building customer relationships will be important.

- (a) Identify **two** reasons why a government might support business start-ups. [2]
- (b) Identify **two** ways a business can build customer relationships. [2]
- (c) Outline **one** benefit and **one** limitation to Nicky's business of operating in a niche market. [4]
- (d) Explain **one** way each of the following sections in the business plan might be helpful to Nicky.
- |                       |     |
|-----------------------|-----|
| Business objectives   |     |
| Explanation           |     |
| Data about the market |     |
| Explanation           | [6] |
- (e) Explain **two** characteristics of a successful entrepreneur. Which characteristic is likely to be the most important? Justify your answer. [6]

#### Solution

- (a) **Reason 1:** The government has an economic aim to reduce unemployment. Helping start-ups will create jobs.

**Reason 2:** The government aim is to have economic growth. Supporting start-ups will increase GDP leading to more output of goods and services resulting in economic growth.

- (b) **Way 1:** A business can offer special discounts to its regular and loyal customers.

**Way 2:** A business can offer credit sales which will help build a long term relationship with customers.

- (c) **Benefit:** Niche markets have very less number of firms and this will mean less competition for Nicky. Due to less competition Nicky will not have to advertise a lot saving her costs which could help her start-up earn more profit and survive.

#### COMMENT on ANSWER

“(a) Niche markets are markets in which business sells a specialised product to a very small number of customers.”

**Limitation:** In niche markets the number of customers is very less and this means Nicky will not be able to have much expansion even if her start-up is successful and will not be able to achieve economies of scale leading to high average costs.

- (d) **Business objectives:** The objectives will give Nicky clear goals and targets that she has to achieve.

**Explanation:** Business objectives would have clear targets to achieve and this will help Nicky to make effective strategies to achieve them. She will be able to make correct budgets and will know exactly how hard she has to work which will help ensure her success.

**Data about the market:** Nicky will be able to spot the market segment that she aims to sell during travel holidays.

**Explanation:** By spotting her exact market segment Nicky will know how she must promote her business and how to advertise to appeal to her customers. This will save her promotion costs and will help in making her start-up successful.

- (e) A successful entrepreneur must be innovative and be able to come up with new types of consumer solutions so that his/her products are having unique selling points and differentiated from the competitors. This will attract larger number of customers, which will lead to very high sales and profits making the entrepreneur's business successful. Secondly the entrepreneur must have the characteristic of excellent communication skills and should be able to communicate the business plan so effectively that a lot of investors would provide capital. With a large capital amount the business would be able to produce high quality goods resulting in higher sales. The most important is to be innovative and appealing because if the product is not innovative then even if there is a lot of capital and investment, the business will not be successful.

#### COMMENT on ANSWER

“(e) A successful entrepreneur must be able to multitasking and perform different functions like marketing, finance in order to have a good grip on all business activities.”

### Question 2

GTB is a business which operates in the tertiary sector. It owns 5 cafés selling food and drinks. The business uses social media as its method of promotion. The Finance Manager, Moeen, is analysing GTB's financial statements. An extract is shown in Table 2.1. He is considering ways to improve GTB's profit margin. Moeen knows there are other users that are interested in the accounts of a business.

**Table 2.1**

Extract from GTB's financial statements 2023	
Revenue	\$600 000
Profit	\$150 000
Capital employed	\$750 000
Profit margin	25%

- (a) Define 'tertiary sector'.

[2]

- (b) Calculate GTB's Return on Capital Employed (ROCE). Show your working.

Working

Final answer [2]

- (c) Outline **two** ways GTB could improve its profit margin. [4]

- (d) Explain **two** advantages to GTB of using social media as its method of promotion.

Advantage 1

Explanation

Advantage 2

Explanation [6]

- (e) Do you think banks are the main external users of the accounts of a business? Justify your answer. [6]

### Solution

- (a) This comprises of all the firms that provide services to consumers and other businesses. Examples are firms providing legal services and business consultancy. The tertiary sector also includes retailing that provide the service of display of goods.

(b) **Working:** 
$$\text{ROCE} = \frac{\text{profit}}{\text{capital employed}} \times 100$$
$$= \frac{\$150,000}{\$750,000} \times 100 = 20\%$$

**Final answer:** 20%

- (c) **Way 1:** GTB can purchase the raw material it needs in bulk such as buying the vegetables in bulk and they would avail discounts from the suppliers which will lower the cost of the raw material and increase their profit margin.

**Way 2:** GTB can make very appealing videos and advertisements on social media which is free and won't raise the costs and it can help create a better brand image allowing GTB to raise their prices of the food which will increase the profit margin.

- (d) **Advantage 1:** Social media is a very low cost method of advertisement and at times it has no cost.

**Explanation:** The low cost of social media will allow GTB to save its costs of promotion and this will help GTB to improve its profit margin of 25% and the higher profit margin could be used for opening a new cafe.

**Advantage 2:** GTB will be able to get direct feedbacks from its customers through social media.

**Explanation:** GTB will be able to see reviews and comments on their social media pages and can use this to improve their food and coffee to better meet the consumer's demands which will increase their sales.

### COMMENT on ANSWER

“(c) The disadvantages of using social media are that negative comments can be posted and majority of people do not view social media as a source of authentic information.”

- (e) Banks will use the accounts of a business to see how much loans it has already taken and then decide if the business can be given further loans. Secondly banks will look at the non current assets of a business to see their value and then decide how much loan the bank can give the business. Thirdly the bank will also check the working capital of a business and it will help the bank decide the time period to be given to the business to repay the loan. The government will also use the accounts of the business to see the profit of the business so that the government can judge if the business has paid the right amount of tax. Suppliers will also check the accounts to see if the business can repay them on time. Community also checks the accounts of the business they work in to judge if the business is helping society compared to the profits of the business. Thus it can be concluded that along with banks, government, suppliers and community also use the accounts as they are all external stakeholders of the business.

**Question 3**

RBG is an oil company. It has operations in 6 countries. RBG has 2000 employees including 60 managers. Some of its managers use a laissez-faire leadership style. All of RBG's internal communication uses information technology (IT) based methods. The Managing Director knows RBG's business activities can create external costs and external benefits. She says: 'Pressure groups often try to influence business decisions.'

- (a) Define 'laissez-faire leadership style'. [2]
- (b) Identify **two** roles of a manager. [2]
- (c) Outline **one** external cost and **one** external benefit RBG's business activities might create.
- External cost  
External benefit [4]
- (d) Explain **two** methods of IT based communication RBG might use with its employees.
- Method 1  
Explanation  
Method 2  
Explanation [6]
- (e) Explain **two** ways a pressure group might try to influence business decisions. Which way do you think is likely to be the most effective? Justify your answer. [6]



## June 2024 PAPER 2

### C A S E S t u d y

#### Jems Jewellery (JJ)

JJ is a large manufacturer of jewellery such as bracelets, earrings and rings. JJ was set up 25 years ago in country X and is a public limited company. One of JJ's objectives is for the business to expand and another objective is to increase profit each year.

JJ manufactures all its jewellery in a factory in country X. All raw materials are purchased from local suppliers. JJ has 60 full-time and 25 part-time employees to make the jewellery. Most of these employees are skilled.

JJ's jewellery is beautiful but not expensive and therefore affordable for many people. The business has many competitors. JJ currently sells 70% of its products in country X through jewellery shops. The other 30% are sold using ecommerce and sold directly to customers in other countries. Demand for JJ's jewellery is continuing to increase.

JJ's Marketing Manager is planning to launch a new item of jewellery in country X and needs to choose between two products. Information on these two products is shown in Appendix 1. They will also need to decide the most effective way to promote the new product in country X.

#### Appendix 1

##### Information to calculate break-even for Product A and Product B

	Product A	Product B
Type of product	Bracelet	Ring
Fixed cost for each product per week	\$50 000	\$50 000
Selling price per product	\$50	\$120
Variable cost per product	\$25	\$40
Forecast sales per week	2500	750

#### Appendix 2

##### Newspaper article from Main City News in country X

After several years of economic growth the government is predicting a change in the economy this year.

Unemployment is forecast to increase from 3% to 6% by the end of the year. Increases in unemployment are expected to continue for the next two years. Many businesses will be affected by this increase.

**Appendix 3**

**Email from Managing Director to Operations Director**

To: Operations Director

From: Managing Director

Date: 1 May 2024

Pressure groups have identified two environmental issues when we manufacture our jewellery.

These two environmental issues are:

- We use coal for fuel in our factory which we know contributes to global warming. Other jewellery manufacturers also use coal. We know the price of coal is increasing and will continue to increase in the future. However, the government in country X is encouraging businesses to invest in solar panels and is providing a 25% grant.
- The gem stones used in our jewellery come from local mines. We have been told that the land around these mines cannot be returned to agricultural use after the mine is closed. However, pressure groups have told us that we can buy gems from suppliers that use alternative ways of mining which do not damage the environment. These mines are further away from our factory.

We need to respond to these issues or our sales and profit may be affected.

### Question 1

- (a) Explain **two** reasons why setting business objectives is important to JJ.

Reason 1

Explanation

Reason 2

Explanation

[8]

- (b) Using Appendix 1 and other information, consider the **two** new products JJ could produce. Which product should JJ choose? Justify your answer using break-even calculations.

- Product A
- Product B
- Recommendation

[12]

### Solution

- (a) **Reason 1:** Clear business objectives will motivate the workforce of JJ.

**Explanation:** Clear objectives will help JJ's 60 full time and 25 part time workers to understand their tasks and goals and this will lead to higher motivation. This will make the workers focused and put in a greater effort leading to less wastage which will increase the efficiency levels of JJ leading to higher profit which could be used to invest in the solar panels in order to make JJ more sustainable.

**Reason 2:** Clear business objectives will help make better decisions.

**Explanation:** Clear objectives will remove confusion and JJ's management will be fully aware of the strategies it will have to take in order to achieve the objectives so the allocation of resources will be more effective and the business decisions are more likely to help achieve expansion and future growth of the business.

### COMMENT on ANSWER

“(a) Business objectives are targets that a business aims to achieve. Business objectives should be S.M.A.R.T.

S: Specific

M: Measurable

A: Achievable

R: Realistic

T: Time bound ”

- (b) **Product A:**

	\$
Sales forecast (weekly)	125 000
Variable cost (weekly)	(62 500)
Gross profit	62 500
Fixed cost	(50 000)
Profit	12 500

$$\text{Gross profit margin} = \frac{\$62\,500}{\$125\,000} \times 100 = 50\%$$

$$\text{Profit margin} = \frac{\$12\,500}{\$125\,000} \times 100 = 10\%$$

$$\text{Breakeven units} = \frac{\$50\,000}{\$25} = 2000 \text{ units}$$

**Product B:**

	\$
Sales forecast (weekly)	90 000
Variable cost (weekly)	(30 000)
Gross profit	60 000
Fixed cost	(50 000)
Profit	10 000

$$\text{Gross profit margin} = \frac{\$60\,000}{\$90\,000} \times 100 = 66.7\%$$

$$\text{Profit margin} = \frac{\$10\,000}{\$90\,000} \times 100 = 11.1\%$$

$$\text{Breakeven units} = \frac{\$50\,000}{\$80} = 625 \text{ units}$$

**Recommendation:** Product A has a higher revenue of \$125 000 as compared to product B so it will give better cashflow. The price of product A is lower so it will attract more customers. However product A breakeven units are 2000 units which is higher than product B so it will be more difficult for product A to reach its breakeven point so product A is more risky than product B.

JJ should choose product B as the product B is more profitable as its profitability ratios of 66.7% and 11.1% are higher than product A so it will give more profitability. Also it has a very low breakeven point so it will be easier to achieve.

**Question 2**

- (a) Explain **two** benefits and **two** limitations for JJ of employing part-time workers in its factory. [8]
- (b) Consider the advantages and disadvantages of the following **three** ways JJ could promote its new product in country X. Which way should JJ use? Justify your answer.
- Advertising in fashion magazines
  - Handing out leaflets in Main City
  - Point-of-sale displays in shops
  - Recommendation
- [12]

**Solution**

- (a) **Benefit 1:** The part-time workers are more flexible than the full-time workers and can be used to make extra production of jewellery even on weekends if there is a sudden rise in the demand.

**Benefit 2:** The part-time workers are only paid for the hours they work and do not have to be paid a fixed salary or given any fringe benefits so this helps reduce the fixed wage costs of JJ helping it earn more profit.

**COMMENT on ANSWER**

“(a) Part-time workers are those that are given contract to work less than the regular daily hours for a business.”

## NOVEMBER 2024 PAPER 2

### C A S E S t u d y

#### Big Bikes (BB)

BB is a public limited company which manufactures bicycles in country X. It produces a range of bicycles for different age groups from young children to adults. BB's main market is in country X where it sells its bicycles through specialist bicycle shops. It also exports 30% of its output.

BB uses flow production and employs 100 production workers in its factory. These production workers are paid \$10 per hour. BB has high labour turnover as its employees are not well motivated. Appendix 1 shows that BB has a flat organisational structure with a short chain of command.

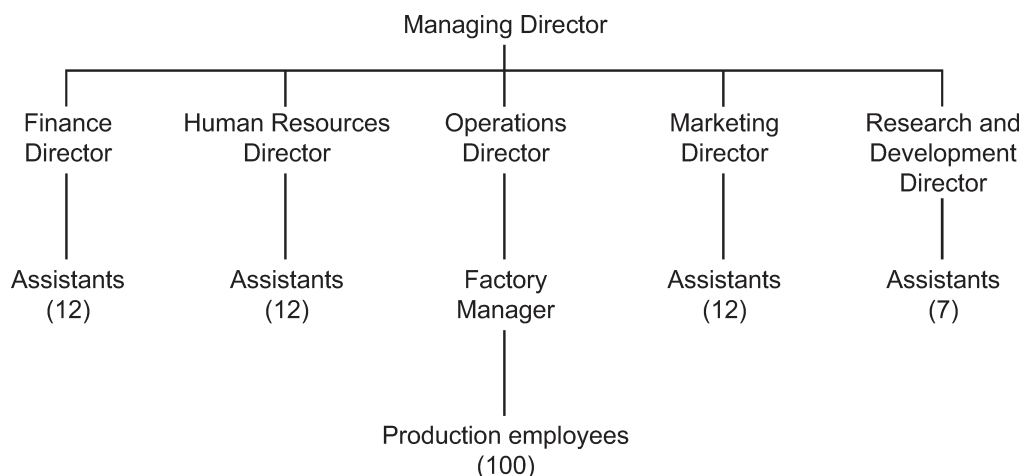
BB's sales have increased every year since it was set up 25 years ago. However, sales of bicycles in country X have been growing more slowly in the last year. BB's best-selling children's bicycle is now in the maturity stage of the product life cycle, and sales of this product have not grown for the last 3 years. BB's Marketing Director wants to use an extension strategy to boost sales for this product rather than stopping production.

BB wants to start selling its products in new markets in other countries. It is also going to become a multinational company as it plans to manufacture as well as sell its bicycles in other countries. This decision will affect BB's different stakeholder groups. BB needs to choose between country A and country B when deciding where to locate its first new factory. Information about these two countries is shown in Appendix 2.

Appendix 3 shows an extract from the financial statements of BB and its main competitor. BB's Finance Director is analysing these statements to see which company has the better financial performance.

#### Appendix 1

#### Organisational chart for BB



*Numbers in brackets show number of employees (total = 150)*

**Appendix 2**

**Information about the two countries BB could choose to locate its first new factory in**

	<b>Country A</b>	<b>Country B</b>
Raw materials	70% available in country A Cost \$350 per bicycle	40% available in country B Cost \$175 per bicycle
Labour	Low unemployment Wage cost \$300 per bicycle	High unemployment Wage cost \$100 per bicycle
Market	Many competitors Selling price \$1000 per bicycle	Few competitors Selling price \$400 per bicycle

**Appendix 3**

**Extracts from the financial statements of BB and its main competitor**

	<b>BB</b>	<b>BB's main competitor</b>
Return on capital employed (ROCE)	30%	15%
Long-term bank loan	\$10m	\$60m
Acid test ratio	1.3	0.67
Revenue	\$120m	\$200m
Gross profit	\$60m	\$120m
Profit	\$6m	\$40m

### Question 1

- (a) Explain **two** advantages and **two** disadvantages of BB being a public limited company. [8]
- (b) Consider the advantages and disadvantages of the following **three** methods BB could use to motivate its production workers. Which method should BB use? Justify your answer.
- Piece rate
  - Teamworking
  - Job rotation
  - Recommendation [12]

### Solution

- (a) **Advantage 1:** BB will be able to sell shares on the stock exchange to the general public and this will enable BB to raise large amount of finance which BB could use to expand by building the new factory abroad.

**Advantage 2:** By becoming a public limited company BB will have a better financial status as a large business and suppliers will be willing to supply BB raw materials on credit and this will improve the cash flow of BB.

**Disadvantage 1:** BB will have to openly publish their financial statements and accounts and BB's competitors will be able to see BB's profits and cash flow and would be able to make strategies that could make the competitors have greater market share.

**Disadvantage 2:** Public limited company will require a lot of complex accounting and legal formalities and BB will need to pay lawyers and professional accountants which will increase the costs and lower the short-term profit and BB would be unable to pay off the \$10M long-term bank loan.

- (b) **Piece rate:** The 100 employees would be paid according to the number of components produced so it would encourage workers to make more and the output of bicycles would increase and BB would have high sales. The workers would be motivated according to Taylor's theory as their need would be fulfilled and labour turnover would decrease. However in order to earn more the 100 workers may produce the parts quickly ignoring the quality which could spoil BB's brand image. It could create jealousies if some workers worked faster and earned more than the others.

**Teamworking:** The 100 workers will become more involved in the decision making process and this will motivate the 100 workers as Maslow's social needs will be met and new ideas will be given that could improve the bicycles and BB would have higher sales. However conflicts may arise between members of the team and BB uses flow production in which machines do the work so teamworking would not be possible in some production processes of the bicycle manufacturing.

### COMMENT on ANSWER

“(a) • A public limited company is a private sector enterprise that can sell its shares to infinite number of people from the public on the stock exchange.

- A public corporation is a public sector enterprise owned by the government.”

**Job Rotation:** BB will change the tasks of the workers in the flow production line and it will make the jobs more interesting and remove boredom motivating the 100 workers according to Herzberg's theory. The motivation will reduce absenteeism and there will be greater output of bicycles. However job rotation will result in lack of specialisation and the quality of the bicycles could decrease which may make BB's sales to go down. Further the workers would require training to do different tasks and this would increase BB's costs.

**Recommendation:** Teamworking would be the best method as piece rate would increase the cost of wages and job rotation would increase the cost of training the workers in all the tasks in the flow production and as BB have plans to expand so BB cannot bear higher costs. Teamworking will improve motivation without raising costs and working together will make workers feel less pressure.

### Question 2

(a) Explain **two** effects of BB having a short chain of command.

Effect 1

Explanation

Effect 2

Explanation

[8]

(b) Consider the following **three** extension strategies BB could use for its best-selling product. Which strategy should BB use? Justify your answer.

- Adding new features
- Start selling in toy shops
- Television advertising campaign
- Recommendation

[12]

### Solution

(a) **Effect 1:** Decision making will be faster and more quicker.

**Explanation:** If the factory manager wants to raise any issue about the machine replacement or maintenance he / she would inform the operations director who would be able to consult the managing director and the issue would be quickly resolved leading to less time wasted and it would ensure quick maintenance and the production of bicycles would not be halted leading to high sales.

**Effect 2:** Managers are close to the workforce and Assistants.

**Explanation:** The directors of all the departments are close to the assistants and this will make them aware of the assistant's views and this will create motivation among the assistants as they can contact the directors easily. The increased motivation will lead to less absenteeism and the assistants will be more hardworking increasing efficiency and reducing the costs of the business.

### COMMENT on ANSWER

“(a) Features of organizational chart:

- A chain of command is the path of communication for messages between managers and workers.
- A span of control is the number of workers working under one manager.”



**(b) Adding new features:** By adding new features such as gears or headlights will give BB's bicycles a unique selling point and differentiate it from the competitors so this will create a new interest in the product again and attract both existing and potential customers. However there will be a cost of developing new features and this may force BB to raise the prices which could discourage consumers.

**Start selling in toy shops:** This will help BB to target the mass market as huge number of people go to toy shops and would see the bicycles and may decide to buy it rather than another toy. However now BB will have increased distribution costs as it will have to transport the bicycle to so many toy shops. Moreover the toy shops will also display competitors brands which can lower BB sales.

**Television advertising campaign:** The whole country will be able to see these advertisements and T.V adverts are very appealing and persuasive which will encourage children to buy the bicycle. The T.V advert could be shown on children's channels which would make it more effective in reaching children. But the cost of T.V advertising would be very high as BB would have to hire an advertising company.

**Recommendation:** The best extension strategy would be adding new features as the children with the old model will want to now buy the new one and also new customers will come. People only go to toy shops to buy toys usually and not bicycles and nowadays children only watch online content on smart phones so T.V viewer ship is decreasing and would not be effective.

### Question 3

**(a)** Explain **one** way each of the following stakeholder groups might be affected by a business becoming a multinational company.

- Effect on shareholders
- Effect on employees
- Effect on suppliers
- Effect on the government [8]

**(b)** Using Appendix 2 and other information, consider the **two** countries BB could choose to locate its first new factory. Which country should BB choose? Justify your answer.

- Country A
- Country B
- Recommendation [12]

### Solution

**(a) Effect on shareholders:** The positive effects can be higher dividends as now the business will sell globally and earn high profits. The share prices are also likely to be higher as the business will become famous. However in the short-run huge investment will be required and no dividends given till the business becomes a successful multinational.

### COMMENT on ANSWER

“(a) Stakeholders are those individual or groups that are affected by and are interested in the activities of a business.

• Internal Stakeholders:

- Shareholders
- Managers
- Workers

• External Stakeholders:

- Consumers
- Bank
- Supplier
- Government
- Community ”