

Please write clearly in block capitals.

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Candidate number

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Forename(s) _____

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INTERNATIONAL GCSE BUSINESS

PAPER 2 INFLUENCES OF MARKETING AND FINANCE ON BUSINESS ACTIVITY

Specimen 2018

Morning

Time allowed: 2 hours

Materials

For this paper you must have:

- a calculator, which you are expected to use where appropriate.

Instructions

- Use black ink or black ballpoint pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- All working must be shown.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 90.

Advice

- You may use a bilingual dictionary.

For Examiner's Use	
Question	Mark
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
TOTAL	


Section A


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

Only **one** answer per question is allowed.

For each answer completely fill in the circle alongside the appropriate answer.

CORRECT METHOD WRONG METHODS

If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

0 1

Which **one** of the following is a type of loan?

[1 mark]

- A** Assets
- B** Mortgage
- C** Profit
- D** Insurance

0 2

What type of costs remain the same even if levels of output change?

[1 mark]

- A** Fixed Costs
- B** Variable Costs
- C** Total Costs
- D** Average Costs

0	3
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Which **one** of the following is **not** a factor of production?

[1 mark]

- A Land
- B Overdraft
- C Labour
- D Capital

0	4
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Businesses that buy products from manufacturers and then sell them on to retailers are known as what?

[1 mark]

- A Direct sellers
- B Telesales
- C Vending machines
- D Wholesalers

0	5
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Changing the marketing mix to try to increase the demand for a product which is in decline is known as what?

[1 mark]

- A an extension strategy
- B a unique selling point (USP)
- C a product life cycle
- D a channel of distribution

Turn over for the next question

0	6
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Which **one** of the following is most likely to occur if a manufacturing business becomes more environmentally responsible?

[1 mark]

A Its production costs will be lowered.

B Its customers will become less loyal.

C Its reputation will improve.

D It will buy from the cheapest suppliers.

0	7
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Give **two** methods that a country's government might use to encourage entrepreneurs to start small businesses. Explain how each would help the entrepreneur.

[4 marks]

1

2

0 8

Define the term Opportunity Cost.

[2 marks]

0 9

A business has fixed Costs of US\$ 5,000 and variable Costs of US\$ 3 per item. The price of each item is US\$ 7.

Calculate how many items the business needs to sell to reach its break-even point.

Show your calculations.

[3 marks]

15

Turn over for the next section

Turn over ►

Section B

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

1	0
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Item A Khashab Ltd

Khashab Ltd is a timber wholesaler in Oman which buys wood in bulk from Europe and then sells it to local builders. The price Khashab pays depends on if there is a surplus of timber on the world market and also the Omani rial/euro (OMR/EUR) exchange rate.

Khashab gives its customers three months' credit when they buy wood. This means the customers have some time before they need to pay their bill. This arrangement often means that Khashab has cash flow problems. Occasionally a builder will go out of business and Khashab will lose the money it is owed. The owners would like to reduce the credit arrangement, because of the cash flow problems for the business. There is a tradition in the region, however, that credit facilities are offered to customers.

There are four other competing timber wholesalers in the town where Khashab is based. Khashab has been established longer than the other businesses and many builders prefer to deal with it because they know and trust the owners.

1	0	.	1
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Identify and explain **two** benefits that the local builders receive by buying their building materials in a competitive timber market.

[4 marks]

Benefit 1 _____

Benefit 2 _____

1 0 . 2

Identify and explain **two** reasons why having a good cash flow would be important to Khashab.

[4 marks]

1 _____

2 _____

Question 10 continues on the next page

Item B
Khashab Ltd

Khashab owns an old wood-cutting machine. The machine regularly breaks down and it costs a lot of money to repair it. The manager of the company wants to invest in a new, more efficient machine, which would cost 40,000 OMR to buy. The manager estimates that the machine will save the business 15,000 OMR each year in repair bills.

1 0 . 3

Using the information in **Item B**, calculate the payback period, in years and months, if Khashab were to buy the new machine.

[3 marks]

Turn over for the next section

Section C

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

1	1
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Item D Subway Restaurants in China

Subway is a global fast food business. The company was started in the USA in 1965 by 17-year old Fred DeLuca with a US\$ 1000 loan from a family friend, Pete Buck. Fred wanted to use any profits the business made to pay his way through university. The Subway brand became popular in the USA but there was a great deal of competition from other fast food companies.

Subway sells a range of sandwiches made with submarine-shaped ('sub') bread. Customers can choose the fillings for their sandwich from a large selection of meat, salads and dressings. The sandwich is made freshly with each customer choosing the fillings. Subway promotes its product as a healthier alternative to other fast food outlets, such as McDonalds and KFC.

Subway's restaurants in China are run as franchises. This means entrepreneurs pay Subway to use its brand. The entrepreneurs must also agree to follow strict rules. They have to buy food ingredients from Subway's suppliers and provide the same menu as every other Subway restaurant throughout the world. They are allowed to make some small changes to meet local needs, however.

1	1	.	1
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Fast food catering is an example of a tertiary industry.

Explain what is meant by a tertiary industry.

[2 marks]

Item E
Subway Restaurants in China

Subway moved into international markets when the US became saturated with fast food outlets. After conducting market research, the first Subway restaurant was opened in China in 1995 and there are now about 600 restaurants. Most of the restaurants are located in Chinese city centres. A growing number of Subway restaurants, however, are opening in shopping malls away from the city centres. The product was targeted at young people who worked in offices near to the restaurant. These office workers were happy to accept western food and lifestyles more so than older people and those who lived in the country.

Subway encountered some cultural issues within the Chinese market:

- Chinese customers sometimes found it difficult to choose from the large variety of sandwiches available to them. Ordering food is much simpler in KFC and McDonalds.
- Many people were unfamiliar with eating bread as a main part of their diets.
- There was a culture of eating hot food rather than cold sandwiches.

Since the first Subway restaurant was opened in China, people's standard of living there has increased. There is also a higher proportion of the population living in cities. As they become wealthier, Chinese citizens expect a healthier lifestyle and are more concerned about the type of food that they eat. There is a rising trend of Chinese consumers eating meals outside the home.

1 1 . 3

Identify and explain **two** ways Subway might have conducted market research in China to find out if it was a suitable location for its restaurants.

[4 marks]

1 _____

2 _____

Question 11 continues on the next page

Item F
Subway Restaurants in China

Prices for Subway's sandwiches were set at 19 yuan (about US\$ 3) which was cheaper than in the USA, but still too expensive for many Chinese people. It is cheaper for Chinese customers to get a meal from other fast food restaurants than buy a sandwich at Subway.

Subway does not have a large budget to spend on promoting its brand. As a result, few people who live outside the cities have heard of Subway's restaurants. Subway has started to use social media to get the Subway brand better known.

1 1 . 5

Identify and explain **two** ways Subway can use social media to promote the brand.

[4 marks]

1 _____

2 _____

Question 11 continues on the next page

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