



Oxford Cambridge and RSA

## GCSE (9–1) Business

**J204/02** Business 2: operations, finance and influences on business

### Practice Paper

**Time allowed: 1 hour 30 minutes**

**You may use:**

- a scientific calculator
- a ruler

First name										
Last name										
Centre number						Candidate number				

#### INSTRUCTIONS

- Use black ink.
- Complete the boxes above with your name, centre number and candidate number.
- Sections A and B: answer **all** the questions.
- Write your answer to each question in the space provided.
- Additional paper may be used if necessary, but you must clearly show your candidate number, centre number and question number(s).
- Do **not** write in the barcodes.

#### INFORMATION

- The total mark for this paper is **80**.
- The marks for each question are shown in brackets [ ].
- Quality of extended response will be assessed in questions marked with an asterisk (\*).
- This document consists of **20** pages.

## Section A

Answer **all** the questions.

1 Which functional area is responsible for providing information about a firm's revenue?

- A Finance
- B Logistics
- C Marketing
- D Production

Your answer

[1]

2 The concept of quality requires a business to:

- A charge low prices for its services
- B produce the best goods on the market
- C provide services to required standards
- D source its raw materials from ethical suppliers

Your answer

[1]

3 A company has made a net profit of £16000.

Which of the following statements **must** be true?

- A The company has at least £16000 in its bank account
- B The company will have no difficulty paying its bills
- C The company's cash outflows were £16000 more than its cash inflows
- D The company's revenue exceeded its costs

Your answer

[1]

- 4 The length of a firm's supply chain:
- A affects how quickly it can respond to changes in demand
  - B depends on the production method used by the business
  - C has no impact on the procurement function
  - D is shown on an organisation chart

Your answer

[1]

- 5 Last year's financial performance data for four competing companies is shown in the table below.

	Company A	Company B	Company C	Company D
Profit/Loss	£22000	-£6000	£14000	-£3000

Which company made the greatest loss?

- A Company A
- B Company B
- C Company C
- D Company D

Your answer

[1]

- 6 A business has decided to update all of its computers and printers.

This decision will:

- A increase selling prices
- B reduce fixed costs
- C require financial resources
- D temporarily increase cash inflows

Your answer

[1]

- 7 Andrea specialises in painting portraits. She estimates that:
- variable costs for labour are £52 per portrait
  - variable costs for materials are £23 per portrait
  - fixed costs are £1000 per month

If Andrea paints and sells 50 portraits **a year**, total costs are estimated to be:

- A £1075 per year
- B £4750 per year
- C £12075 per year
- D £15750 per year

Your answer

[1]

- 8 A store that sells mobile phones wishes to improve the level of customer service it offers to those who come into the store.

Which one of the following will **not** improve the level of customer service the store offers?

- A Demonstrating to all staff how to be attentive, polite and helpful
- B Giving the sales assistants lists detailing the features of each phone
- C Offering a free phone case with every mobile phone purchased
- D Training the store manager to deal with technical queries

Your answer

[1]

- 9 Which of the following is an appropriate source of finance for a newly established company?

- A Overdraft
- B Retained profit
- C Sale of assets
- D Taking a partner

Your answer

[1]

10 At break-even a firm's total revenue equals its:

- A fixed costs
- B gross profit
- C net profit
- D total costs

Your answer

[1]

11 Which one of the following is an example of how the finance function can support business activity?

- A Analysing primary market research results
- B Predicting revenues and costs
- C Reviewing the quality of the products made by the firm
- D Selecting staff for a business expansion

Your answer

[1]

12 Seiji, a sole trader, has some important decisions to make about his business. He has produced a table showing the costs of running his business over the last four years.

	2015	2016	2017	2018
Labour costs	£44000	£66000	£65000	£62000
Raw material costs	£36000	£35000	£34000	£33000
Other costs	£18000	£25000	£32000	£39000

This data is useful to Seiji when making business decisions because it shows that:

- A labour costs are increasing every year
- B profit levels are falling
- C the business is producing less than it used to
- D total costs are increasing

Your answer

[1]

13 The interdependent nature of business activity means that:

- A businesses need to merge to increase market share
- B entrepreneurs should favour high risk options
- C global trade is increasing
- D the functional areas in a business are linked

Your answer

[1]

14 A tractor manufacturer wishes to upgrade its robotics at a total cost of £4 million. The cash inflow for each of the next five years is forecasted to be £1 million.

Assuming the forecasted figures are correct, the average rate of return for upgrading the robotics will be:

- A 5%
- B 20%
- C 25%
- D 125%

Your answer

[1]

15 Breakfast biscuits are becoming increasingly popular. HealthBisc Ltd predicts that in future years it will have difficulty producing enough breakfast biscuits to keep up with demand.

Which one of the following actions could help HealthBisc Ltd deal with this problem?

- A Automate the production process
- B Improve its after-sales service
- C Reduce its prices
- D Switch to job production

Your answer

[1]

Section B

Answer all the questions.

16

Text 1

Tesco plc

Tesco plc is one of the largest retailers in the UK. It sells a range of products through its shops and uses e-commerce across the UK. The business procures its supplies from a range of UK and foreign businesses.

On its website, Tesco plc states its core purpose as 'wanting to be a champion for customers, helping them to enjoy a better quality of life and an easier way of living. Customers want great products at great value which they can buy easily and it's our job to deliver this in the right way for them.'

In recent years, sales of Tesco plc's products and services have been affected by increasing competition, consumer law and the growth of e-commerce. In addition, sales are impacted by how the UK economy is performing and the level of UK employment.

(a) (i) State two methods of ensuring quality.

Method 1 .....

Method 2 ..... [2]

(ii) Analyse one advantage to Tesco plc of selling using e-commerce.

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(b) Explain **one** way consumer law may impact Tesco plc.

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..... [2]

(c) Explain **two** reasons why Tesco plc needs reliable suppliers.

Reason 1

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Reason 2

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..... [4]

(d) (i) Identify **two** possible impacts on a business of a rise in unemployment.

Impact 1 .....  
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Impact 2 .....  
..... [2]





**Text 2****Café Freshly Made (CFM)**

Anne and Martin opened Café Freshly Made (CFM) as a partnership two years ago. It sells sandwiches and fruit juice cocktails direct to the public as well as providing a delivery service.

CFM is now at the end of its second year of trading. Table 1 shows its gross and net profit margins.

	<b>Year 1 £</b>	<b>Year 2 £</b>
<b>Gross Profit Margin</b>	60%	70%
<b>Net Profit Margin</b>	20%	25%

**Table 1 – CFM's Gross and Net Profit margins**

Martin wants to open another café but Anne is concerned about CFM's cash flow (see Table 2). She knows they will need to buy a new property and the fixtures and fittings to go in it, as well as pay for staff training. Anne has suggested to Martin that they could finance the purchase of the new shop by either using CFM's retained profit or by becoming a private limited company and issuing shares.

	<b>£</b>
<b>Cash inflow:</b>	
Revenue	23 000
<b>Total inflow</b>	23 000
<b>Cash outflow:</b>	
<b>Total outflow</b>	25 000
<b>Net cash flow</b>	?
<b>Opening balance</b>	-3500
<b>Closing balance</b>	-5500

**Table 2 – Extract from CFM's cash flow forecast for next month**

(a) (i) Explain what is meant by the gross profit margin.

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..... [2]

(ii) In year 2, CFM made £200 000 total revenue. Calculate CFM's net profit for year 2.

Show your workings.

Answer: £ .....

[2]

(iii) Analyse **one** change in CFM's profitability. Refer to Table 1 in your answer.

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(b) (i) Analyse **one** benefit to CFM of using retained profit to finance the new café.

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(ii) Analyse **one** benefit to CFM of using a share issue to finance the new cafe.

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(iii) Recommend whether Martin and Anne should use retained profit or a share issue to finance the opening of the new cafe.

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(c) (i) Calculate the net cash flow in Table 2.

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(ii) Identify **two** cash outflows from CFM if Anne and Martin open a new café.

Outflow 1 .....  
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Outflow 2 .....  
..... [2]

(iii) State **one** way Anne and Martin could use the cash flow forecast in Table 2.

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..... [1]

Text 3

Virgin Atlantic



Virgin Atlantic is a multinational company which flies customers to many destinations around the world. Since its launch in 1984 Virgin Atlantic has pursued objectives of growth and to develop an international brand.

In 2016, Virgin Atlantic carried 6 million passengers and made £23 million in profit, its highest profit in five years. The company can calculate the number of customers it needs for each of its flights to break-even.

Part of Virgin Atlantic's aim is '*to grow a profitable airline, where people love to fly and people love to work.*' The business has always been keen to provide excellent customer service, competitive prices and a fantastic choice of food and drink on its planes. Additionally, the business takes its ethical and environmental responsibilities very seriously too.

(a) Analyse **two** benefits to Virgin Atlantic of developing an international brand.

Benefit 1

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Benefit 2

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(b) State **one** use of break-even to Virgin Atlantic.

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(c) (i) Analyse **one** impact that ethical considerations may have on Virgin Atlantic.

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(ii) Analyse **one** impact that environmental considerations may have on Virgin Atlantic.

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(iii) Recommend whether ethical considerations or environmental considerations will have the greatest impact on Virgin Atlantic.

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(d)\* Evaluate the importance of good customer service to Virgin Atlantic's objective of growth. [9]

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**END OF QUESTION PAPER**

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