

Year 10 Paper 2

Hi year 10,

Please complete the questions below and the revision notes. You can use the internet, tutor2u is very good, or BBC Bitesize and your knowledge organisers. Email me if you have any problems on sparkes.g@thecoleshillschool.org

Average Rate of Return

Steps

<u>Cost of equipment</u>	<u>£5000</u>
<u>Income year 1</u>	<u>£2000</u>
<u>Income year 2</u>	<u>£2500</u>
<u>Income year 3</u>	<u>£3000</u>
<u>Income year 4</u>	<u>£3000</u>
<u>Income year 5</u>	<u>£2500</u>
<u>Total income</u>	

Step 1-add up the income/net profit from all years.

Step 2-take away the initial investment

Step 3-divide the answer by the number of years

Step 4-divide the answer by the initial cost and multiply by 100

Average Rate of Return

Initial investment	£10 000
Length of investment	3 years
Income per year	£6000
ARR	

Initial investment	£40 000
Length of investment	10 years
Income per year	£7000
ARR	

Initial investment	£15 000
Length of investment	5 years
Income per year	£10 000
ARR	

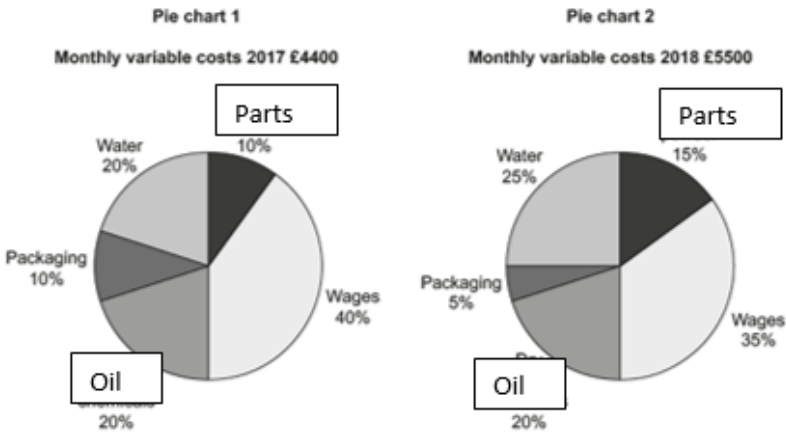
Initial investment	£50 000
Length of investment	5 years
Income per year	£12 000
ARR	

Initial investment	£20 000
Length of investment	6 years
Income year 1	£6000
Income year 2	£6000
Income year 3	£6000
Income year 4	£5000
Income year 5	£4500
Income year 6	£3500

Initial investment	£100 000
Length of investment	6 years
Income year 1	£40 000
Income year 2	£38 000
Income year 3	£30 000
Income year 4	£25 000
Income year 5	£25 000
Income year 6	£20 000
ARR	

ARR	
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Jack and Joe own a car repair business called JJ's. The pie charts below show the monthly variable costs in 2017 and 2018.



Jack and Joe are looking to expand into car modifications and have investigated 2 possible businesses to buy. Joe wants to see a return on his investment within 5 years. Jack has collected the following information:

	HD Cars	Fast Car
Purchase price of the business	£80 000	£65 000
Sales revenue per year	£90 000	£82 500
Net profit per year	£25 000	£22 000
Average rate of return	?	13.8%

1. Calculate ARR for HD sewing

(a) Identify one fixed cost a business could have.

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..... [1]

Sources of Finance

Source of Finance	Definition	Advantages	Disadvantages
Loan			
Overdraft			
Trade Credit			
Retained Profit			
Sale of Assets			
Owners Capital			
New partner			

Share Issue			
Crowd Funding			

Business situation	Most suitable source of finance	Reason for choice
A small, sole trader building business wishing to buy a second-hand lorry		
A family textile business, trading as a private limited company, wishing to invest in some new manufacturing equipment		
A veterinary partnership needing to raise finance to help it buy some new premises		
An established business wishing to open a tanning and nail studio.		
A large public limited company wishing to takeover another public limited company		

Text 2

MD Sports Clinic

Martina Doyle currently works for the National Health Service (NHS). She has total savings of just over £5000 in her bank account. Martina is planning to leave the NHS and start up a private sports injury clinic. She intends to call her new business 'MD Sports Clinic'.

Martina wishes to rent a property for her new business and expects to pay rent each month. She wants to take a monthly income from the business. She also wants to employ a part time receptionist.

Martina needs to buy some equipment to set up MD Sports Clinic. She has estimated the following figures for MD Sports Clinic's first month of trading:

- fixed costs of £6000
- variable costs of £5 per session
- revenue of £30 per session.

1. What is the breakeven point for Martina?

2. How much net profit would Martina make if she sold 320 sessions in January?

(e) Martina is worried that she may not have enough money to start up her new business. She has found out that the equipment she needs will cost £5000 and she does not know how she should pay for it.

(i) State one disadvantage to a business owner of using:

their own capital to buy equipment

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a bank loan to buy equipment

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[2]

Evaluate whether Martina should use her own savings or a bank loan to buy the equipment for MD Sports Clinic.

7 marks

Production

Type of production	Definition
	One type of product is produced and then production is SWITCHED to produce another type of product
	One product is produced and the next is not started until the first is finished
	Products are produced on a production line and are usually identical

Use the bullet points below and sort into job, batch and flow

- Items are all unique which increases their value
- Machines can run 24/7
- Specialist skilled staff are required
- Machinery may be needed which increases costs
- Benefit from economies of scale which lowers costs
- Only one project/item is produced at one time which increases time
- May be waste when production is switched
- Items are mass produced and may lose USP
- Have to keep stock of materials
- May need machinery which can increase costs
- High satisfaction when the project is finished
- May need specialist workers to operate machinery
- Takes time to switch production
- Business can make items which are demanded more
- Can be repetitive and boring

	Advantages	Disadvantages
Job		
Batch		
Flow		

AS PLC manufacture luxury sports cars and sell them to the EU and China. They are thinking of starting to use automated machinery to manufacture some of the components. The estimated cost of buying the machinery is £2 billion, and as it is 'state of the art' no other competitor is currently using it. However, AS will need to retrain all of their staff to be able to use the machinery.

(a) (i) One of AS plc's major competitors produces all its cars on a production line.

Recommend the method of production – job, batch or flow – which this major competitor should use. Give reasons for your answer.

Recommended method of production

Reasons for recommendation

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[3]

(ii) Jensing Wheels makes a range of different wheels.

Recommend the method of production – job, batch or flow – which Jensing Wheels should use. Give reasons for your answer.

Recommended method of production

Reasons for recommendation

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[3]

Text 3

Marks and Spencer plc

Marks and Spencer (M&S) is one of the UK's leading retailers. It is committed to making every moment special for its customers, through its high quality, own-brand food, clothing & home products.

M&S has an ethical programme called 'Plan A'. This was relaunched in 2017 with three new objectives for 2025:

1. 'Nourishing our wellbeing' – including looking after staff and their needs.
2. 'Transforming local communities' – including supporting staff who want to volunteer in charities.
3. 'Caring for the planet we share' – including developing better recycling for packaging.

In 2017, 60% of M&S's revenue came from the sale of food, which it sells through its 1025 UK stores as well as through e-commerce on its website.

The majority of the food it sells comes from one of its 283 'food factories' located around the country. The Montana Bakery is one of these factories. It produces speciality breads, rolls, garlic breads and pizza bases for retailers and sandwich makers. The bakery has grown and has moved to a larger factory, where it is considering switching from batch production to flow production and automating some of the production.

(c) Analyse **one** reason why quality is important to M&S.

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One mark for understanding of the importance of quality. ✓

No further marks can be gained without understanding.

One further mark for application of understanding to M&S specifically, using evidence from the text. [APP] ✓

One further mark for analysis of a reason why quality is important to M&S's. ✓

[3]

(i) Analyse **one** advantage and **one** disadvantage to the Montana Bakery of switching from batch production to flow production in the new factory.

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1 mark for understanding of an advantage of switching from batch to flow production [U]

1 further mark for application of an advantage of switching from batch to flow production to the Montana Bakery specifically, using evidence from the text. [APP]

1 further mark for analysis of an advantage of switching from batch to flow production to the Montana Bakery. [AN]

1 mark for understanding of a disadvantage of switching from batch to flow production [U]

1 further mark for application of a disadvantage of switching from batch to flow production to the Montana Bakery specifically, using evidence from the text. [APP]

1 further mark for analysis of a disadvantage of switching from batch to flow production to the Montana Bakery. [AN]

[6]

