



Mock Exam 3

BUSINESS

9609

Paper 2 Data Response

1 hour 30 minutes

You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

INFORMATION

- The total mark for this paper is 60.
- The number of marks for each question or part question is shown in brackets [].

alt

ALT P2 MOCK 3

Flight Food (FF)

FF is a large secondary sector business that supplies airlines with in-flight meals. Meals are manufactured using batch production. A different variety of meal is made each hour with a five minute changeover time between batches. FF makes use of Just in Time (JIT) to manage inventory wherever possible. Trucks arrive each hour and deliver the materials needed for production. 5

The market for airline meals is very competitive. FF uses market segmentation when deciding which meals are most likely to appeal to different airlines. FF must adapt to changes in tastes and the demands of each airline.

FF is a labour intensive business. The workers are employed with short-term (six month) employment contracts. They are only offered new contracts if they meet their production 10 targets. Table 2.1 shows some production data for FF's two work teams.

Table 2.1: Worker data for FF

	Team A	Team B
Number of workers	100	50
Productivity (per worker per day)	300 meals	240 meals

The Board of Directors of FF is considering changing the manufacturing process to flow production. This would require purchasing Computer Aided Manufacturing (CAM) equipment and using a capital intensive production process. Production targets would no longer be used for employees because the machinery would be set at a specific production 20 rate.

Sabrina, the Operations Director, has put forward the following advantages for moving to flow production:

- more products made each hour
- lower employment costs 25
- improved quality.

Ben, the Human Resource Director, is worried about the change from a labour intensive process to a capital intensive process.

(a) (i) Define the term 'secondary sector' (line 1).

[2]

(ii) Explain the term 'market segmentation' (line 6). [3]

(b) (i) Refer to Table 2.1. Calculate the total number of meals per day produced by both teams. [2]

(ii) Explain two ways in which FF may be affected by the lower productivity of employees working in Team B. [4]

(c) Analyse two possible disadvantages for FF of using Just in Time (JIT) to manage inventory. [8]

(d) Evaluate the possible effects on FF of a change from a labour intensive process to a capital intensive process.

Cartoon Costumes (CC)

Ava is an entrepreneur. After leaving school she set up CC as a private limited company and she owns 100% of the shares.

CC sells 'dressing up' costumes (outfits) for children using ecommerce. Each costume is based on popular TV and movie characters that appeal to children. CC owns a large sewing machine which Ava uses to create the costumes. Each costume is made from brightly coloured materials which CC purchases in bulk.

Ava has to produce more inventory to grow the business. This can be expensive so Ava is thinking of using crowdfunding to finance this growth.

CC has completed its second full year of trading. An extract from the statement of financial position is in Table 2.1.

Table 2.1: Extract from CC's statement of financial position at 31 August

	2022 \$(000)	2021 \$(000)
Non-current assets	8	8
Current assets	60	50
Current liabilities	40	45
Non-current liabilities	18	3
Reserves and equity	10	10

Until recently CC operated from Ava's house. However, two months ago she rented a shop in a shopping centre. Ava wants to recruit a salesperson for the shop so that she can *20* concentrate on designing and making costumes. Details about the two best applicants are in Table 2.2. Ava must now decide who to employ.

Table 2.2: Details about the two best applicants

	Liu	Ahura
Date of birth	12 February 2004	19 September 1975
Employment history	<ul style="list-style-type: none">• 2 years working part-time in a small retail food shop	<ul style="list-style-type: none">• 10 years as an actor• 10 years as manager of a large clothing shop• 5 years unemployed
Highest qualifications	A Levels in Business, Design Technology and Mathematics	University degree in Acting
Personal attributes	<ul style="list-style-type: none">• Good customer service skills• Likes working with other people	<ul style="list-style-type: none">• Highly motivated• Good administrative skills• Works well on their own
Career ambitions	<ul style="list-style-type: none">• Would like to go to university• Would like to own a business in the future	None

- (a) (i) Define the term 'inventory' (line 7). [2]
- (ii) Explain the term 'entrepreneur' (line 1). [3]
- (b) (i) Refer to Table 2.1. Calculate the change in CC's working capital between 2021 and 2022. [3]
- (ii) Explain the distinction between revenue expenditure and capital expenditure for CC. [3]
- (c) Analyse one possible advantage and one possible disadvantage to CC of using crowdfunding to finance growth. [8]
- (d) Refer to Table 2.2 and other information. Recommend which person Ava should employ. Justify your recommendation. [11]