

General Certificate of Education
June 2006
Advanced Level Examination



BUSINESS STUDIES
Unit 5

BU5W

Thursday 15 June 2006 9.00 am to 10.30 am

For this paper you must have:

- a 12-page answer book.

You may use a calculator.

Time allowed: 1 hour 30 minutes

Instructions

- Use blue or black ink or ball-point pen.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is BU5W.
- Answer the **compulsory** question in **Section A** and **one** question from **Section B**.
- Do all rough work in the answer book. Cross through any work you do not want marked.

Information

- The maximum mark for this paper is 84.
4 of these marks are for the Quality of Written Communication.
- The marks for questions are shown in brackets.
- You are reminded of the need for good English and clear presentation in your answers. All questions should be answered in continuous prose. Quality of Written Communication will be assessed in all answers.

SECTION A

Answer this question. You should spend up to 50 minutes on this section.

Total for this question: 40 marks

1

Healthcheck Ltd

Alex Turnbull was looking for a challenge when a friend of his, Jamil Faruq, approached him with a proposal for a new business. Jamil had produced a prototype electronic healthcare kit. This product allows users to check their health and fitness levels, including measuring their cholesterol, blood pressure and heart rates. This can be done at home without visiting a doctor. The two friends invested all their savings and set up Healthcheck Ltd in 2002 to produce this one product called 'Check-up'; they then spent two years developing and testing it. Within two months of deciding to launch 'Check-up' in 2004, they won a contract with Gates plc, a major high street chain of chemists in the UK.

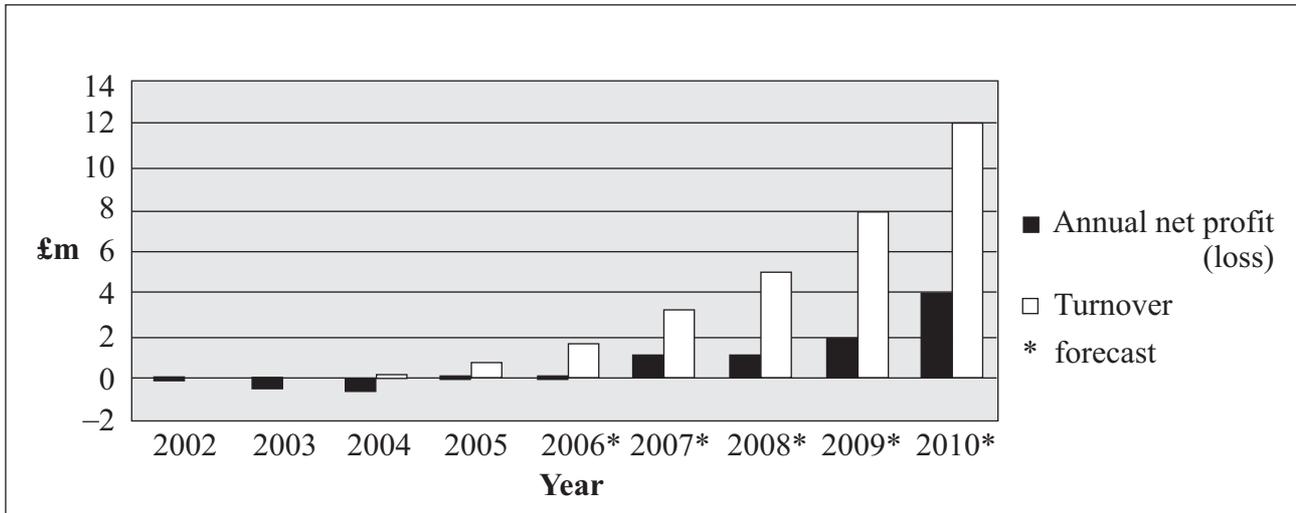
Alex and Jamil are now seeking extra finance, mainly to expand the business into continental Europe, although they may put some of it into new product development. They have approached several venture capital companies, including one called Ventura Ltd, and are looking for an investment of £500 000 in return for 25% of the company (see **Appendices A to E** on pages 4 and 5).

You are a business analyst with Ventura Ltd. Write a report to your directors, analysing the main strengths and weaknesses of Healthcheck Ltd, and recommending whether or not to invest in the business. You should fully justify your recommendation.

(2 marks are included for appropriate report format.)

Turn over for the appendices to Question 1

Appendix A: Turnover and profits for Healthcheck Ltd (assuming additional investment and overseas expansion)



Source: Healthcheck Ltd's business plan (June 2006)

Appendix B: Marketing and operations data for Healthcheck Ltd for year ending May 2006

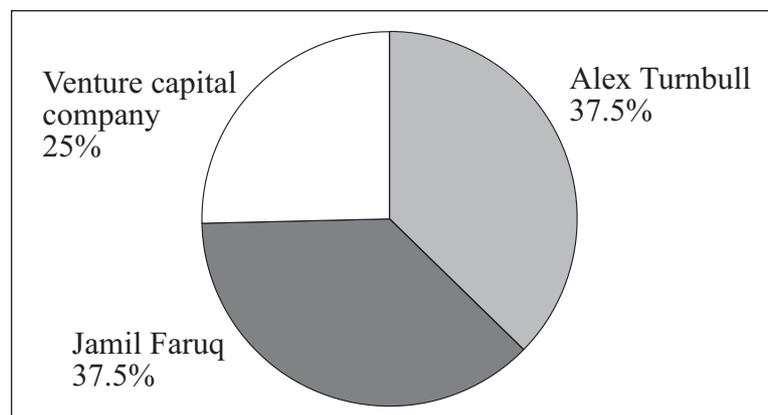
Percentage of total sales of 'Check-up' through Gates plc	90%
Mark-up by Gates plc on the price paid to Healthcheck Ltd	80%
Gates plc's notice period to Healthcheck Ltd for cancellation of the contract	4 weeks
Gates plc's share of the UK market for healthcare products	65%
Date 'Check-up' patent registered in the UK	February 2002
Research and development expenditure	0.5% of turnover
Market research spending on European launch	£50 000

Appendix C: Financial information for Healthcheck Ltd

Extracts from the financial accounts published May 2006 (before new investor)

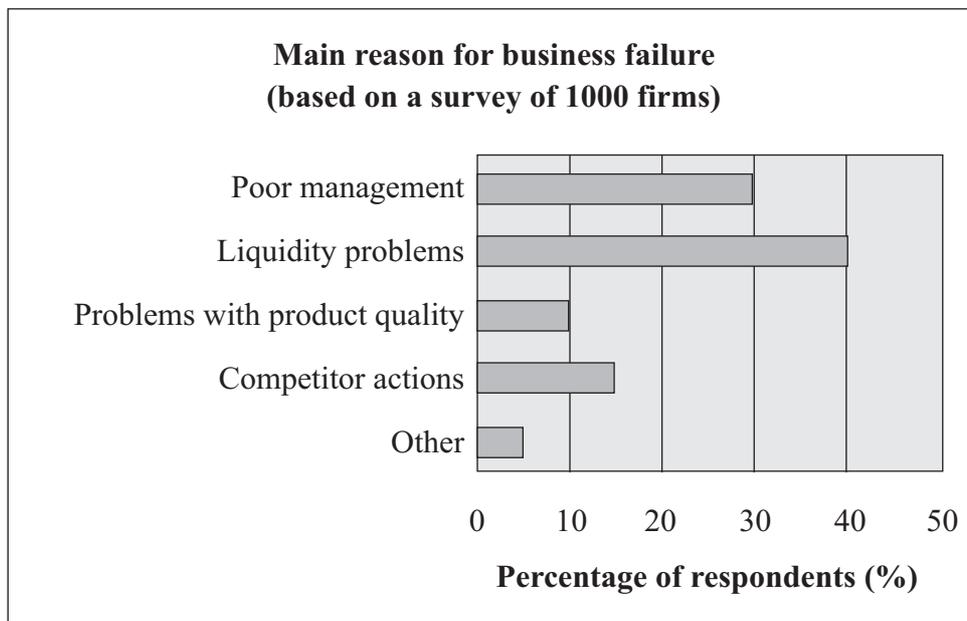
Share capital:	
Alex Turnbull	£250 000
Jamil Faruq	£250 000
Reserves	(£750 000)
Bank loans	£1 250 000
Capital employed	£1 000 000
Debtor days	120
Average time to pay suppliers	20 days
Directors' pay	£40 000 each
Annual dividends	£0

Proposed share structure with a new investor



Appendix D: Human resource data for Healthcheck Ltd (May 2006)

	Alex Turnbull	Jamil Faruq
Present job with Healthcheck Ltd	Marketing Director	Operations, Finance and Human Resources Director
Previous job	Marketing Manager for several successful product launches in the healthcare sector in continental Europe. Fluent in French and German.	Research and development manager for major healthcare business.
Previous annual salary	£120 000	£80 000

Appendix E: Other data (Source: Ventura Ltd)**Forecasts between 2006 and 2009**

- Proportion of UK population aged over 45: up from 42% to 44%
- Proportion of UK population that is overweight: up from 63% to 65%
- Consumer spending on healthcare products: up 22%
- Change in the value of the pound in euros: down 10%

Turn over for the next section

SECTION B

Answer **one** question from this section.

- 2 Employees in several large, global industries such as oil, construction and aircraft manufacturing have made payments, or given gifts, to key staff of their potential customers to try to win contracts. To what extent do you think such payments and gifts are acceptable? *(40 marks)*
- 3 China has a population of over one billion. Over the past two decades, its economy has been growing at an average of 9.5% per annum. To what extent does China provide an opportunity for or present a threat to UK producers of goods and services? *(40 marks)*
- 4 Cadbury, Mars and Nestlé dominate the UK confectionery market. To what extent are their stakeholders likely to benefit as a result of this domination? *(40 marks)*
- 5 The Coca-Cola company is the world's largest soft drink producer with 400 brands in 200 countries. In 2004, its sales were nearly \$22 billion and the value of the business was over \$103 billion. To what extent is Coca-Cola guaranteed further success in the future? *(40 marks)*

END OF QUESTIONS

There are no questions printed on this page

There are no questions printed on this page