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| Read **Item A** and then answer the questions that follow. |
| **Item A**  **Paintball Army Limited**  Paintball Army Limited (PA Ltd) was set up 10 years ago. The paintball site is outdoors and near to a town. There is a small café serving snacks, but it is only open for 3 hours a day.  Over the last 2 years the number of customers playing paintball has gone down. There are other paintball sites near PA Ltd which have better facilities, such as new changing rooms and modern cafés.  David, the managing director of PA Ltd, is thinking about extending his product portfolio by offering other games. David has heard about laser tag and how it is becoming a popular activity. Laser tag is played in the same way as paintball, but uses an infrared gun. The nearest laser tag centre is many miles away.  David knows that there is a large indoor space that is available at a new retail park. It would be more expensive to run but the site has room for a large café, which is what many of PA Ltd’s customers want. There is free parking and a large outdoor area that could be developed in the future.  David wants to attract new customers to his business, but keep his regular customers as well. He will need to carefully think about his pricing strategy if he moves to the new site. |



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| **(b)**  Explain **two** reasons why PA Ltd might move to the new location. **[4 marks]** |

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| Read **Item C** and then answer the questions that follow. |
| **Item C**  **The Coffee Pot**  The Coffee Pot is a small coffee shop which sells a selection of drinks and homemade snacks such as sandwiches, cakes and pastries. These are all made in the shop by three loyal members of staff who use high quality, locally sourced ingredients.  The Coffee Pot is located in a very busy small tourist town called Hasley, which is three miles away from a famous castle. The business has been trading very successfully for 10 years. It has many regular customers, despite charging high prices. However, the premises are old. A recent health and safety inspection found that The Coffee Pot needs to replace the uneven floor in the kitchen. This will cost the business £5000.  A short time ago, Starbean, a well-known competitor, moved into an empty building very near to The Coffee Pot. Helen, the owner of The Coffee Pot, has seen a significant drop in The Coffee Pot sales since Starbean opened. Starbean is open from 7.00 am until 7.00 pm every day and, so far, has been very successful in attracting both local customers and tourists, who recognise the brand name.  Helen is thinking about changing location. A craft centre has been open for a year and is becoming very popular with tourists during the summer months. It is located next to the castle. The craft centre has many small shops selling souvenirs and other locally produced items to the tourists who visit the castle. |



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| ***3 (c)***  *Helen is worried about the competition from the new Starbean coffee shop. She has found a suitable new location in the craft centre next to the castle. This location meets all health and safety standards.*  *Advise Helen which location would be the best for her business. Give reasons for your advice.*  ***[9 marks]*** |

Read **Item C** and then answer the questions that follow.

**Item C**

After leaving school Jim Smith was employed in a garage for four years before setting

up his own business servicing and repairing vehicles. He found a suitable workshop

which he rented for a five-year period. The business started well as many of the

customers from his previous employer came to him.



**3 (c)** Jim is concerned about his low profits and unhappy assistant. He is now considering

buying a larger and more modern garage in another area of town.

Advise Jim on whether this would be a good idea. Give reasons for your advice. [**9 Marks**]

**Item A**

Colin and Ciara had noticed that many of the houses in the area where they lived looked as if they needed a coat of paint. Having just left college they wondered whether house painting was a business idea that could make them a lot of profit. They asked their parents and friends what they thought of this idea. They were advised that they should decide on a legal structure for the business such as a private limited company or a partnership.



It was suggested that they should also look at other areas. A nearby town, for example, had much larger houses owned by wealthy people. Colin and Ciara would need a small van if they chose this option and they were worried whether there might be more competition there.

In order to see whether they could borrow some money to start up the business the two friends decided to go and see the bank manager.

*Explain* ***two*** *factors that will influence where Colin and Ciara locate their house painting business.*

***[6 marks]***

**Factor 1:**

**Factor 2:**