

Level 3 Cambridge Technical in Business

05834/05835/05836/05837/05878

Unit 1: The business environment

Tuesday 10 January 2017 – Afternoon
Time allowed: 2 hours

You must have:

- a clean copy of the research brief (Insert C421)

You may use:

- a calculator

First Name						Last Name					
Centre Number						Candidate Number					
Date of Birth											

INSTRUCTIONS

- Use black ink.
- Complete the boxes above with your name, centre number, candidate number and date of birth.
- Answer **all** the questions.
- Write your answer to each question in the space provided.
- Additional paper may be used if required but you must clearly show your candidate number centre number and question number(s).

INFORMATION

- The total mark for this paper is **90**.
- The marks for each question or part question are shown in brackets [].
- This document consists of **20** pages.

FOR EXAMINER USE ONLY	
Question No	Mark
Section A: 1-20	/20
Section B: 21	/2
22	/4
23	/4
24	/6
25	/4
Section C: 26	/1
27	/2
28	/14
29	/5
30	/12
31	/4
32	/12
Total	/90

Section A

Answer **all** questions. Put a tick (✓) in the box next to the **one** correct answer for each question.

1 Which of the following would be classified as an external stakeholder of a private limited company?

(a) Directors

(b) Employees

(c) Partners

(d) Pressure Groups

[1]

2 A cash flow statement:

(a) calculates how much profit a business has made

(b) lists the expected cash inflows and outflows of a business

(c) records the actual money flows of a business

(d) shows the net worth of a business

[1]

3 A business operating as a partnership:

(a) has at least two shareholders

(b) must share profits between the owners

(c) pays corporation tax

(d) requires a certificate of incorporation

[1]

4 Which of the following functional areas of a business is **most** likely to be responsible for recruiting new staff?

(a) Business support services

(b) Finance

(c) Human resources

(d) Operations management

[1]

5 Which of the following are likely to be fixed costs for a clothing manufacturer?

(a) Business rates and insurance

(b) Fabric and thread

(c) Sewing machines

(d) Zips and buttons

[1]

6 Which of the following is the correct definition of the term 'margin of safety'?

(a) The amount by which output can fall before a loss is made

(b) The maximum output that a business can produce

(c) The minimum level of output needed to make a profit

(d) The output level at which no profit or loss is made

[1]

7 The role of a manager is lower in status than the role of:

(a) a director

(b) a supervisor

(c) an apprentice

(d) an operative

[1]

8 The Marketing Department of a public limited company fails to inform the Production Department of a proposed advertising campaign. This is an example of:

(a) centralised decision making

(b) employee empowerment

(c) poor communication between business functions

(d) the division of work in a large organisation

[1]

9 A hierarchical organisational structure has:

(a) a short chain of command

(b) limited opportunities for delegation

(c) many tiers of responsibility

(d) no management function

[1]

10 Natalie is a sole trader, she makes footstools in her workshop at home. She estimates her costs and revenues for 2017 will be as follows:

- Fixed costs: £4200 per annum
- Raw materials: £8 per footstool
- Labour costs: £6 per footstool
- Selling price £38 per footstool

If Natalie makes and sells 300 footstools in 2017 her profit would be:

(a) £175

(b) £3000

(c) £7200

(d) £11400

[1]

11 Business activity can be classified into three sectors: primary, secondary and tertiary. Which of the following is an example of a primary sector business?

(a) A bakery

(b) A supermarket

(c) An apple orchard

(d) An art gallery

[1]

12 Which of the following changes in the external environment of a business would be classified as a technological factor?

(a) Employees demanding more flexible working hours

(b) Government initiatives to reduce pollution levels

(c) New ways to pay for goods from a mobile phone

(d) The increasing popularity of online gaming

[1]

13 Birmingham City Council is a local government authority. All UK local government authorities:

(a) are community interest companies

(b) are privately funded

(c) can sell shares on the stock exchange

(d) operate in the public sector

[1]

14 Which of the following is a non-financial factor which may affect the future success of a manufacturing company?

(a) Cost of sales

(b) Profit

(c) Revenue

(d) Workforce motivation

[1]

15 A change in the government of a country is **most** likely to lead to:

(a) a reduction in parliamentary bureaucracy

(b) increased business uncertainty

(c) no change in political priorities

(d) reduced business risk

[1]

16 Which of the following is **not** an environmentally friendly business practice?

(a) Installing solar panels

(b) Reducing carbon emissions

(c) Sending waste to landfill

(d) Using recycled packaging materials

[1]

17 A bracelet manufacturer has costs as follows:

- precious metal: £26 per bracelet
- labour: £60 000 per annum
- overheads: £120 000 per annum.

If the average selling price of a bracelet is £62, the break-even level of output would be:

(a) 2000 bracelets per annum

(b) 2904 bracelets per annum

(c) 5000 bracelets per annum

(d) 6924 bracelets per annum

[1]

18 A company is conducting a SWOT analysis. Which pair of categories contains factors which are beyond the company's control?

(a) Opportunities and Threats

(b) Strengths and Opportunities

(c) Threats and Weaknesses

(d) Weaknesses and Strengths

[1]

19 Which of the following stakeholder groups is **most** likely to be interested in a company's level of dividend?

(a) Central government

(b) Customers

(c) Shareholders

(d) Suppliers

[1]

20 A company makes and sells a faulty batch of wooden toys. The toys have been painted with a toxic paint which could cause serious harm. The company has broken the:

(a) Companies Act

(b) Consumer Protection Act

(c) Consumer Rights Act

(d) Copyright, Designs and Patents Act

[1]

Section B

Answer **all** questions in this Section.

All of the questions in this Section should be answered in relation to businesses you have researched. A clean copy of the research brief is provided.

- 21 Identify **one** financial aim and **one** non-financial aim of a business you have researched.

Name of business

Activity of business

Financial aim.....

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Non-financial aim

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[2]

- 22 Explain **two** likely consequences to a business that you have researched of **not** listening to the concerns of local residents.

Name of business

Activity of business

1

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[4]

23 Describe **two** activities which are part of the job role of a customer services assistant in a business that you have researched.

Name of business

Activity of business

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[4]

24 Analyse **two** sources of finance that a business you have researched could use to fund its expansion plans.

Name of business

Activity of business

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2.

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[6]

25 Explain how the organisational structure of a business that you have researched affects its internal communications.

Name of business

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Activity of business

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[4]

Section C

Read the scenario below. Answer **all** questions in this Section.

Business scenario: *Marcin Holidays Ltd*

In 1990 Lee Marcin, a tour guide, was made redundant. Lee decided not to look for another job. Instead, he wanted to become his own boss. Lee put his degree in Travel and Tourism to good use and set up his own travel agency, *Marcin Holidays Ltd*. Today, after over 25 years of trading, *Marcin Holidays Ltd* remains an independent travel agency. It trades from a small, well maintained, rented property on the main street of a market town in Yorkshire. Lee is the Chief Executive and only shareholder of the company.

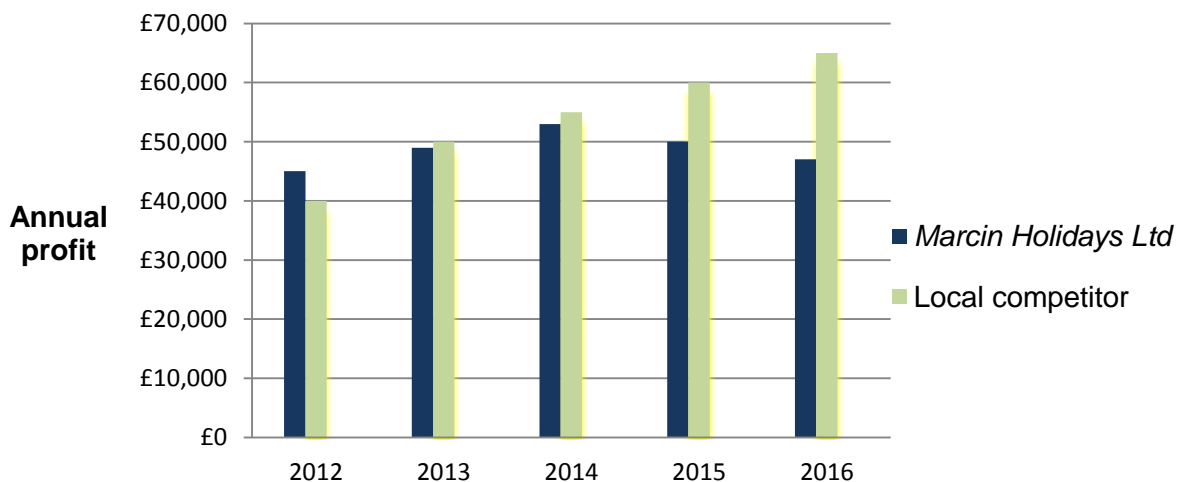
Marcin Holidays Ltd sells a range of holidays, primarily to destinations in Europe and the USA. Most of the holidays it offers include air travel and are for seven days or more. It does, however, offer a limited number of shorter weekend breaks, some of which are to cities in the UK. The business specialises in luxury holidays. It does not offer all-inclusive holidays because Lee believes that quality is more important than price. The business does not offer payment plans to help customers save for their holidays, nor does it offer credit.

The business does not currently have a website. Instead the travel agency relies on sending glossy brochures and targeted emails to potential customers on its database. While not being known for low prices, the business does have a reputation for the quality of its holidays - especially its activity holidays and cruises. The company's travel consultants spend a lot of time with each prospective customer attempting to tailor a holiday to their particular needs. Almost all of *Marcin Holidays Ltd's* customers are from the local area and many are repeat customers.

Marcin Holidays Ltd currently employs five members of staff – one finance clerk and four travel consultants. All of the staff like their jobs but feel that their workloads are too high. The hours in the working day never seem enough to get all of their tasks done. They frequently leave work exhausted or cannot sleep at night worrying about unfinished tasks. All of the staff are paid the exact legal minimum wage for their age. They have recently requested a pay rise.

Lee is more concerned about company profits. The business no longer seems to be doing as well as its nearest competitor, a similar sized independent travel agency at the other side of town. Furthermore, in December 2016 the largest employer in the area closed down. Over 8000 IT and science-based professionals lost their jobs. Lee worries that such a significant rise in local unemployment might affect future profits of *Marcin Holidays Ltd*. With Lee's eldest daughter recently starting university he estimates that the company needs to make £40 000 profit per year to support the family. Profit data from 2012 to 2016 is shown in Fig. 1 below.

Fig. 1 – Annual profits for *Marcin Holidays Ltd* and a local competitor 2012 - 2016



29 Lee has rejected the employees' request for a pay rise.

(a) Identify **one** appropriate course of action the employees could take in an attempt to get Lee to reverse his decision.

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[1]

(b) Explain **one** likely drawback and **one** likely benefit to *Marcin Holidays Ltd* of giving the employees a pay rise.

Drawback

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Benefit

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[4]

30 Using the information in **Fig.1** and any other relevant information, assess the profit performance of *Marcin Holidays Ltd*.

[12]

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31 The Statement of Financial Position for *Marcin Holidays Ltd* as at 31 December for the last two years of trading is shown below.

	31 December 2015		31 December 2016	
	£	£	£	£
Non-current assets		14 000		14 000
Current assets:				
Trade receivables	240 000		260 000	
Bank	<u>140 000</u>		<u>110 000</u>	
		380 000		370 000
Less creditors due in less than one year:				
Trade payables		300 000		280 000
Less creditors due after more than one year:				
Bank loan		20 000		20 000
Net assets		<u>74000</u>		<u>84000</u>
Equity shareholder's funds		<u>74000</u>		<u>84 000</u>

(a) State the meaning of each of the following terms:

- assets

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- creditors

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[2]

(b) Identify:

- **one** aspect of the financial performance of *Marcin Holidays Ltd* which has worsened during 2016.

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- **one** aspect of the financial performance of *Marcin Holidays Ltd* which has improved during 2016.

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[2]

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END OF QUESTION PAPER

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C420/1701