# Check In test

# Business operations

## Questions

1. Division of labour benefits employees by:

(a) developing specialist skills

(b) increasing share dividends

(c) lowering unit costs

(d) reducing workload **[1]**

1. One way a bakery could add value to its bread range is by:

(a) adding healthy oils and seeds

(b) charging higher prices for each loaf

(c) installing an additional production line

(d) offering two loaves for the price of one **[1]**

1. Which one of the following is **not** a benefit to a bank of providing a high standard   
   of customer service?

(a) Customer loyalty

(b) Increased profits

(c) Quality assurance

(d) Word of mouth promotion **[1]**

1. Improving productivity in a manufacturing business is important to a business because it:

(a) guarantees a profit

(b) improves efficiency

(c) increases sales

(d) reduces capacity **[1]**

1. Two public limited companies have recently merged. The newly merged company is experiencing communication difficulties because of the complexity of its decision-making process.

Which of the following is the newly merged company experiencing?

(a) External diseconomies of scale

(b) External economies of scale

(c) Internal diseconomies of scale

(d) Internal economies of scale **[1]**

1. Press Print Ltd, a printing firm, usually operates at full capacity.

Which of the following is a drawback to Press Print Ltd of operating at full capacity?

(a) Average unit costs of production will fall

(b) Batch production cannot be used

(c) International standards (ISO) will be breached

(d) Limited time for machinery maintenance **[1]**

1. TLK Lighting plc manufactures light bulbs. The company’s Production Manager has collected the following output data for the first four months of 2015.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2015** | **January** | **February** | **March** | **April** |
| **Number of non-working light bulbs** | 22,500 | 16,800 | 18,200 | 21,500 |
| **Total number of light bulbs produced** | 250,000 | 210,000 | 260,000 | 215,000 |

Which month has the highest wastage rate?

(a) January

(b) February

(c) March

(d) April **[1]**

1. One reason why a company might insist that its suppliers meet BSI standards is:

(a) to ensure raw materials are organic

(b) to gain assurances about input quality

(c) to reduce the need for total quality management (TQM)

(d) to satisfy health and safety requirements **[1]**

1. In the context of stock control, state what is meant by:

(a) reorder level; **[1]**

(b) lead time. **[1]**

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1. Sportco produces an average of 30,000 tennis rackets per month.

Calculate how many Sportco tennis rackets were rejected by quality control in 2015  
if its wastage rate was 7.2%.  **[2]**

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1. Identify **two** benefits to a manufacturing business of lean production.  **[2]**

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1. Explain **two** limitations to a business of using benchmarking.  **[4]**

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## Mark Scheme

| **Question** | | **Answer** | **Marks** | **AO** | **Rationale** |
| --- | --- | --- | --- | --- | --- |
|  |  | **(a)** | **1** | **1** | **(a) Correct answer:** Workers concentrate on one particular task and therefore should develop specific specialist expertise.  **(b)** Division of labour may increase financial returns, and thus stakeholder dividends, but this is a benefit to the shareholders not the employees.  **(c)** Division of labour may lower unit costs, but again this is not of particular benefit to employees.  **(d)** Division of labour does not reduce workload, instead it reduces the number of different tasks a worker performs, this may lead to monotony and boredom. |
|  |  | **(a)** | **1** | **2** | **(a) Correct answer**: Adding an additional feature to a product so the firm can charge more for the product – in this case a bakery adding healthy oils and seeds.  **(b):** This is a result of adding value not a way of achieving it.  **(c)** Adding production facilities will increase output but not added value  **(d)** This is a marketing technique, it certainly does not add value, and in effect it reduces the price. |
|  |  | **(c)** | **1** | **1** | **(a)** High standards of customer care are likely to result in customer retention.  **(b)** Good customer service has financial benefits. Banks operate to make a profit just like other private sector organisations.  **(c) Correct answer:** Quality assuranceis a processconcerned with improving quality; it is method of achieving high quality, rather than a benefit.  **(d)** Satisfied customers are likely to be advocates of the business. |
|  |  | **(b)** | **1** | **1** | **(a)** Productivity is concerned with inputs and outputs. To make a profit a manufacturer needs to make sales at an appropriate price.  **(b) Correct answer:** productivity is a measure of efficiency – the relationship between inputs and outputs.  **(c)** Productivity improves the relationship between inputs and outputs, in a manufacturing business this does not include sales (it would in a retail business).  **(d)** All businesses need a customer service function. Product orientated businesses perhaps more so because the customer may be more likely to need help with the product or feel the need to complain. |
|  |  | **(c)** | **1** | **1** | **(a)** A diseconomy of being larger, but not caused by the external environment in which the business operates so not external.  **(b)** It is neither a benefit of being bigger nor beyond the company’s control.  **(c) Correct answer:** Inefficiency caused by size which is within the company’s control – so diseconomy and internal.  **(d)** Internal as it is not caused by external factors, however it is likely to increase, rather than reduce, unit costs, so not an economy. |
|  |  | **(d)** | **1** | **1** | **(a)** A fall inAverage unit costs is a benefit not a drawback.  **(b)** Any method of production can be used.  **(c)** There is no regulation, ISO or otherwise, prohibiting a firm from operating at full capacity.  **(d) Correct answer:** If the machines are operating continually then there is little or no time for maintenance, which is more likely to be need if the machines are in constant operation. |
|  |  | **(d)** | **1** | **7** | **(a)** Candidate chooses the month with the highest wastage level, rather than rate.  **(b)** Candidate chooses the month with the lowest output.  **(c)** Candidate chooses the month with the highest output.  **(d) Correct answer:** Wastage rate = wastage/total output. Jan 9%, Feb 8%, Mar 7%, Apr 10%. April the highest. |
|  |  | **(b)** | **1** | **1** | **(a)** There is no requirement by BSI that supplies are organic.  **(b) Correct answer:** BSI is a quality standard.  **(c)** Meeting BSI does not reduce the need for TQM. TQM is concerned with the efficient use of all resources.  **(d)** BSI standards only relate to quality, not to health and safety. |

| **Question** | | | **Answer** | **Marks** | **Guidance** |
| --- | --- | --- | --- | --- | --- |
| **9** | **a** |  | One mark for a correct identification. | **1**  (AO1 1) | Indicative content:   * the level of stock which triggers a firm to reorder.   Do **not** award explanations of how to calculate the reorder level, the questions asks what is meant by. |
| **9** | **b** |  | One mark for a correct identification. | **1**  (AO1 1) | Indicative content:   * the length of time it takes the stock to arrive * the time between reordering stock and its arrival. |
| **10** |  |  | Up to two marks.  Award full marks for 25,920 (irrespective of workings).  Otherwise award max 1 mark for 360,000 or 2160, if seen. | **2**  (AO2 2) | Annual output = 12 x 30,000 = 360,000 (1) tennis rackets.  360,000 x 7.2/100 = 25,920 (1) tennis rackets rejected per annum.  OR  30,000 x 7.2/100 = 2160 (1) rejected per month.  2160 x 12 = 25,920 (1) tennis rackets rejected per month |
| **11** |  |  | One mark for each correct identification, up to a maximum of two identifications. | **2**  (AO1 2) | Indicative content:   * less waste (materials, space, energy, time) * greater productive efficiency * lower costs * lower breakeven point * improved cash flow position. * higher profits * better returns on investment * more competitive (able to lower selling price). |
| **12** |  |  | One mark for a correct identification, up to a maximum of two identifications plus one further mark for each of two explanations. | **4**  (AO1 4) | Indicative content:   * limited access to comparative data (external bench marking) * needs access to detailed and sensitive information * time taken to analyse own practice for comparison * difficult to identify which business offers best practice * difficult to obtain data from competitors * must be accompanied by change * difficult to reduce gaps between own and best practice * trying to match a competitor may not be the best idea * of limited benefit to market leaders * risk of complacency/arrogance.   **No** context required.  Exemplar response:  Even if differences between own and best practice are identified, it does not mean that these gaps can be reduced (1) because each business has its own unique circumstances, resources, strengths and weaknesses (1). |

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