

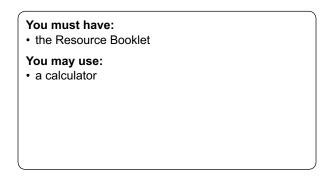
A Level Business

H431/01 Operating in a local business environment

Monday 12 June 2017 – Afternoon

Time allowed: 2 hours







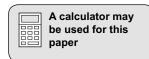
| First name | |
|---------------|------------------|
| Last name | |
| Centre number | Candidate number |

INSTRUCTIONS

- Use black ink.
- · Complete the boxes above with your name, centre number and candidate number.
- · Answer all the questions.
- Write your answer to each question in the space provided. If additional space is required, use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.
- · Do **not** write in the barcodes.
- · The Resource booklet is for Section B only.

INFORMATION

- The total mark for this paper is 80.
- The marks for each question are shown in brackets [].
- Quality of extended responses will be assessed in questions marked with an asterisk (*).
- · This document consists of 20 pages.



Section A

Answer **all** the questions.

| 1 | | oiletries manufacturer uses a continuous production mple of: | line to | make | its too | thpaste. | This is a | an |
|---|-----|--|---------|--------|---------|----------|-----------|-----|
| | (a) | batch production | | | | | | |
| | (b) | cell production | | | | | | |
| | (c) | flow production | | | | | | |
| | (d) | job production | | | | | r | 1] |
| | | | | | | | | • |
| 2 | The | best definition of 'market growth' is: | | | | | | |
| | (a) | an increase in manufacturing output | | | | | | |
| | (b) | an increase in market share | | | | | | |
| | (c) | an increase in market size | | | | | | |
| | (d) | an increase in monopoly power | | | | | г | 1] |
| | | | | | | | ı | ٠, |
| 3 | | K mining company has spent \$4 million on equipme £0.66. | nt from | the US | SA. Th | ne excha | nge rate | is |
| | The | cost of the equipment in pounds sterling is: | | | | | | |
| | (a) | £60606 | | | | | | |
| | (b) | £2640000 | | | | | | |
| | (c) | £6060606 | | | | | | |
| | (d) | £264000000 | | | | | r | [1] |
| | | | | | | | L | .1 |

| 4 | | ko is a small shop which sells greeting cards and nership. | party | gifts. T | he bus | ness | trades | s as a |
|---|-----|--|-------|----------|----------|--------|--------|--------|
| | | ch of the following sources of finance would it be chase stock? | most | approp | riate fo | r Tool | co to | use to |
| | (a) | Hire purchase | | | | | | |
| | (b) | Mortgage | | | | | | |
| | (c) | Sell shares | | | | | | |
| | (d) | Trade credit | | | | | | [1] |
| 5 | Whi | ch of the following is not a valid way to calculate profi | t? | | | | | |
| | (a) | Current assets minus current liabilities | | | | | | |
| | (b) | Revenue minus costs | | | | | | |
| | (c) | Sales minus cost of goods sold and expenses | | | | | | |
| | (d) | Unit contribution multiplied by margin of safety | | ĺ | | | | |
| | | | | J | | | | [1] |
| 6 | Whi | ch of the following is one of Porter's Five Forces? | | | | | | |
| | (a) | Buyer power | | | | | | |
| | (b) | Inflation | | | | | | |
| | (c) | Stakeholder rivalry | | | | | | |
| | (d) | Technological change | | | | | | [1] |

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7 The Human Resources Manager of a shoe manufacturer has collected the following data for 2016.

| Department | Average number of full-time staff employed | Number of staff who left during the year |
|----------------|--|--|
| Sales | 16 | 5 |
| Marketing | 10 | 3 |
| Production | 24 | 4 |
| Administration | 10 | 0 |

The rate of labour turnover of the business in 2016 was:

| (a) | 0.2% | |
|-----|------|--|
| | | |

- **(b)** 2.4%
- (c) 20%
- (d) 24%

[1]

8 A small business bases its cost forecasts on the previous year's costs. In 2017, it expects its fixed costs to increase by 5% and variable costs to increase by 10%.

Costs and output figures for 2016 are shown in the table below.

| Fixed Costs (£) | Variable Costs Per Unit (£) | Output in units |
|--------------------|--------------------------------|-----------------|
| 3000 | 20 | 400 |

If output in 2017 is estimated to be 450 units, the forecasted total costs for 2017 will be:

| (a) | £31 | 72 |
|------|-----|-----|
| 1 CI | | 1 4 |

(b) £11950

(c) £12000

(d) £13050

[1]

| 9 | | agazine is conducting customer research on 12 resta comers at random from each restaurant. | aurants. The researchers interviewed 10 | , |
|----|------|---|---|---|
| | Whi | ch one of the following sampling methods is the maga | azine using? | |
| | (a) | Convenience sampling | | |
| | (b) | Quota sampling | | |
| | (c) | Random sampling | | |
| | (d) | Systematic sampling | [1] | i |
| | | | 113 | |
| 10 | | ording to Locke's goal setting theory, which one of ctive goal-setting? | the following is not a requirement for | • |
| | (a) | Goals have to be specific | | |
| | (b) | Goals must be complex | | |
| | (c) | Goals need to be challenging | | |
| | (d) | Goals should be clear | [1] | ı |
| | | | ניז | |
| 11 | | etailer has always sold children's books. It has now duct range. | added children's toys and games to its | ; |
| | Into | which of the four quadrants of Ansoff's Matrix does the | nis growth strategy fit? | |
| | (a) | Diversification | | |
| | (b) | Market development | | |
| | (c) | Market penetration | | |
| | (d) | Product development | [41] | 1 |
| | | | [1] | I |

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| 12 | | ompany has budgeted its marketing costs to be £5,0 raged £17,000 a quarter. | 00 a month. Its actual marketing costs |
|----|-----|---|--|
| | The | company's percentage marketing variance is approxir | nately: |
| | (a) | 11.76% adverse | |
| | (b) | 13.33% adverse | |
| | (c) | 13.33% favourable | |
| | (d) | 15.00% favourable | |
| | | | [1] |
| 13 | | oft drinks manufacturer co-operating with a sports scient k is an example of: | ence company to develop a new sports |
| | (a) | a strategic alliance | |
| | (b) | outsourcing | |
| | (c) | trade liberalisation | |
| | (d) | value analysis | |
| | | | [1] |
| 14 | Wh | ich of the following is a benefit of political stability to a | business? |
| | (a) | Increased business risk | |
| | (b) | Increased economic certainty | |
| | (c) | Reduced buyer confidence | |
| | (d) | Reduced corporate investment | |
| | | | [1] |
| 15 | The | three steps of the ATR marketing model are: | |
| | (a) | advertising, targets, results | |
| | (b) | advertising, trial, results | |
| | (c) | awareness, targets, repurchase | |
| | (d) | awareness, trial, repurchase | |
| | | | ניז |

Section B

Answer all the questions.

Use the information provided in the **Resource Booklet** to answer the following questions.

16 Will produced 'a very detailed business plan' (Line 15) and it helped him to gain the finance he

| needed to start WPC. |
|---|
| Other than helping to raise finance, analyse one likely advantage to Will of producing a detailed business plan for the start-up of his business. |
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| [6] |

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| 17 | During the writing of the business plan, Will 'had to consider a number of legal factors' (Line 23). |
|----|--|
| | Analyse one legal factor which might affect the operation of WFC. |
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| | [7] |

| the years following the 2008 recession were difficult, although the Ekeep the UK interest rate very low certainly helped WFC' (Lines 24–2 | 26). |
|---|------|
| aluate how a fall in the UK interest rate could affect WFC. | [′ |
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| 19 | (a) | Assume that WFC's fixed costs are £4,000 per month and the average variable cost of a meal is £2.75. |
|----|------|---|
| | | Calculate WFC's break-even level of sales per month. |
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| | | [4] |
| | (b)* | Discuss the usefulness of break-even analysis as a decision-making tool for Will in running WFC. [15] |
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| 20 | (a) | Calculate the percentage increase in sales per month which Will would need to achieve in order to reach his objective of the shop operating at full capacity by 2020. |
|----|------|--|
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| | | [3] |
| | (b)* | Using quantitative and qualitative evidence, evaluate a strategy for Will to reach his objective of increasing sales so that the shop's capacity can be fully utilised by 2020. [15] |
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ADDITIONAL ANSWER SPACE

| If additional space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s). | | | |
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