

Level 3 Cambridge Technical in Business 05834/05835/05836/05837/05878

Unit 1: The business environment

Tuesday 9 January 2018 – Morning
Time allowed: 2 hours

You must have:

- a clean copy of the pre-release (Insert C421)

You may use:

- a calculator

First Name						Last Name				
Centre Number						Candidate Number				
Date of Birth	D	D	M	M	Y	Y	Y	Y		

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.
- If additional answer space is required, you should use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.
- The pre-release research brief is required for **Section B** only.

INFORMATION

- The total mark for this paper is **90**.
- The marks for each 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	/2
27	/4
28	/12
29	/6
30	/12
31	/2
32	/12
Total	/90

Section A

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

1 Which of the following is an example of an organisation that operates in the public sector?

(a) A charity shop

(b) A clothing manufacturer

(c) A local council

(d) A restaurant

[1]

2 A public limited company:

(a) has unlimited liability

(b) must hold an Annual General Meeting (AGM)

(c) pays income tax

(d) requires a deed of partnership

[1]

3 The human resources function of a large organisation is **most** likely to support the finance function by:

(a) purchasing a new accounts package

(b) recruiting an additional employee

(c) updating its supplier database

(d) using social media to encourage more sales

[1]

4 A manufacturer is likely to need to obtain planning permission before:

- (a) building an extension at the rear of the building
- (b) creating a business plan to grow the business
- (c) setting its sales objectives for the coming year
- (d) sponsoring a local youth football team

[1]

5 All UK businesses are affected by changes in external factors.

Which of the following would 'a change in cultural beliefs' be an example of?

- (a) A legal factor
- (b) A social factor
- (c) An economic factor
- (d) An ethical factor

[1]

6 A new business predicts that it will be able to make and sell the following in the coming year:

Item	Quantity	Price
Large greetings cards	15 000	£2.40 each
Small greetings cards	26 000	£1.25 each
Gift tags (pack of 6)	11 000	£1.90 per pack

If the costs for the business total £96 000, the business will:

- (a) have a margin of safety of £6600
- (b) make a loss of £6600
- (c) make a profit of £6600
- (d) make a revenue of £6600

[1]

- 7 Which of the following is **not** an example of a financial objective for a sole trader?
- (a) To break even
- (b) To make a profit
- (c) To pursue own interests
- (d) To reduce variable costs
- [1]
- 8 The liability of a partnership is:
- (a) a strength of the business
- (b) calculated using an income statement
- (c) dependent on the number of partners
- (d) unlimited
- [1]
- 9 Empowered employees:
- (a) are only interested in how much they are paid
- (b) dislike coming to work and frequently arrive late
- (c) should not be shown on the organisation chart of a business
- (d) show initiative and complete tasks without guidance
- [1]
- 10 Which of the following is a correct definition of the term 'benchmarking'?
- (a) The annual review of the objectives of a business
- (b) The changing of an organisation to a decentralised structure
- (c) The comparing of business performance to a standard
- (d) The monitoring of market trends over time
- [1]

11 Which of the following is the main business activity of a primary sector organisation?

(a) Extract raw materials

(b) Provide a service

(c) Sell goods on the Internet

(d) Turn raw materials into finished goods

[1]

12 Carain plc makes caravans. Its costs and revenues for 2017 were as follows:

- fixed costs: £5 100 000
- other expenses: £8000 per caravan
- average selling price: £25 000 per caravan.

Carain plc's breakeven point for 2017 was:

(a) £300

(b) 300 caravans

(c) £17 000

(d) 204 caravans

[1]

13 Which of the following is a long-term financial factor that could affect the success of a business?

(a) Breaching the Equality Act

(b) Disagreements between business owners

(c) Obtaining a mortgage

(d) The current year's fixed costs

[1]

14 Which of the following is an example of 'division of work'?

(a) Distributing tasks to different functional areas

(b) Increasing staff workloads

(c) Making less efficient employees redundant

(d) Offering rewards to increase workforce motivation

[1]

15 The 'reporting status' in a public limited company:

(a) measures whether the company has achieved its objectives

(b) must be published in accordance with the Companies Act

(c) shows how commands travel downwards from the top of the organisation

(d) would be shown on its organisation chart

[1]

16 Which of the following functional areas is **most** likely to be responsible for maintaining the IT equipment in a large organisation?

(a) Business support services

(b) Customer services

(c) Operations management

(d) Research and development

[1]

17 Which of the following are likely to be variable costs for a coffee shop?

(a) Cakes and drinks

(b) Coffee machine and utensils

(c) Rent and rates

(d) Tables and chairs

[1]

18 Which of the following is a likely impact on UK jewellers if unemployment levels rise in the UK?

(a) Employees will demand higher wages

(b) Expensive jewellery will become more popular

(c) Less jewellery will be sold

(d) The price of jewellery will increase

[1]

19 Exchange rates:

(a) are used to calculate the amount of tax a business must pay

(b) measure the speed at which prices are increasing

(c) show the number of people looking for work

(d) state the value of one currency in terms of another

[1]

20 Which one of the following is an environmentally sustainable business practice?

(a) Buying fair trade products

(b) Giving donations to an animal welfare charity

(c) Paying the living wage to employees

(d) Using green energy

[1]

Section B

Answer **all** the 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 **two** political factors that have affected a business you have researched.

Name of business

Activity of business.....

1

.....

2

.....

[2]

22 Conduct a SWOT analysis for a business you have researched by inserting one appropriate factor into each box.

Name of business

Activity of business.....

SWOT Analysis	
Strength	Weakness
Opportunity	Threat

[4]

23 Explain **two** impacts on a business that you have researched of having a tall hierarchical structure.

Name of business

Activity of business.....

1

.....

.....

.....

2

.....

.....

.....

[4]

24 Analyse **two** ways recent advances in technology have affected a business you have researched.

Name of business

Activity of business.....

1

.....

.....

.....

.....

.....

2

.....

.....

.....

.....

.....

[6]

25 Describe how the purchasing function in a business that you have researched sources its products.

Name of business

Activity of business.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

[4]

THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK

Section C

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

Business scenario: *Lushcereal Ltd*

Lushcereal Ltd is the UK's seventh largest producer of breakfast cereals and, with a market share of 4%, the UK's leading premium brand. The company makes a range of luxury, premium-brand porridges, mueslis and other oat-based breakfast cereals. *Lushcereal Ltd's* breakfast cereals are packaged in large distinctive black and gold boxes. The breakfast cereals are available from large supermarket chains nationwide. Targetted at adults, *Lushcereal Ltd* aims to attract affluent consumers who are willing to pay for quality. All the ingredients the company uses are organic and are sourced 100% from the UK. *Lushcereal Ltd* invests in local community projects, gives money to medical research charities and supports a national tree planting scheme.

Lushcereal Ltd has been so successful in recent years that the directors have decided to expand the company. The expansion will allow the business to increase output and extend its product range. The directors plan to develop a second production facility on the edge of the picturesque village of Buthorpe, five miles from the current site. The proposed expansion will cost around £36 million. The directors remain committed to operating the company ethically.

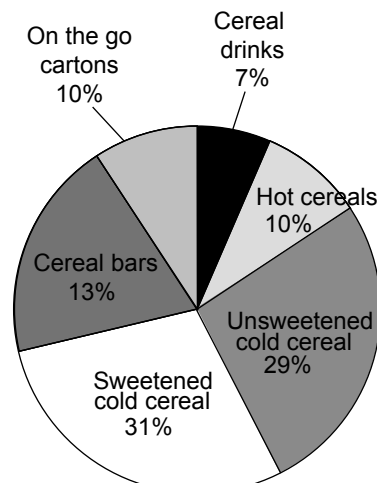
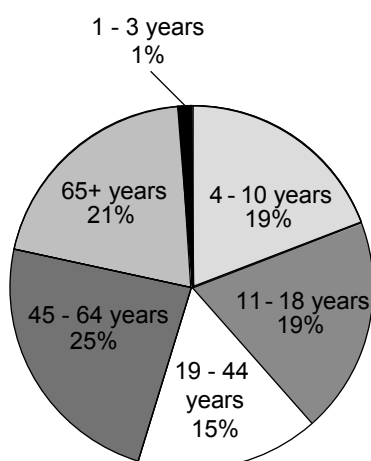
Residents of Buthorpe have not been informed about the proposed development. The area relies on tourism and its reputation for being a quiet and pretty village. Being concerned about pollution and congestion levels, its residents have protested against business investment in the area in the past. An environmental pressure group even got involved, attracting lots of publicity.

Lushcereal Ltd's success is particularly attributable to its excellent marketing function which works closely with all the other functional areas in the organisation. Its current research indicates that:

- there is a significant trend towards eating a healthier breakfast e.g. high fibre, low sugar or breakfast cereals containing superfoods
- sales of cold breakfast cereals in the UK fell by 4% last year; however sales of hot breakfast cereals e.g. porridge rose by 3%
- an increasing number of young adults report not having time for breakfast and try to grab breakfast on the go
- supermarkets only account for 56% of UK breakfast cereal sales; the remaining 44% of sales are from convenience stores e.g. corner shops, railway stations and cafés.

Further market research data is shown in **Figs. 1 & 2** below.

Fig. 1: UK breakfast cereal consumption (segmented by age) **Fig. 2: UK sales of breakfast cereal (segmented by type)**



All of the questions in Section C should be answered in relation to the business scenario on page 12.

26 *Lushcereal Ltd* is a private limited company.

Identify who owns and who controls a private limited company.

Owns.....

Controls.....

[2]

27 Explain **one** advantage and **one** disadvantage to *Lushcereal Ltd* of operating ethically.

Advantage.....

.....
.....
.....

Disadvantage.....

.....
.....
.....

[4]

28 Advise the directors of *Lushcereal Ltd* how to manage any external stakeholder conflict caused by the proposed expansion of the company. Justify your answer.

[12]

.....
.....
.....
.....
.....
.....
.....
.....
.....

A series of horizontal dotted lines for writing.

29 The cash flow statement for *Lushcereal Ltd*'s last six months of trading is shown below.

Cash flow statement for *Lushcereal Ltd*: July – December 2017

	Jul	Aug	Sep	Oct	Nov	Dec
Cash inflows	£1.3m	£1.3m	£1.4m	£1.6m	£1.7m	£1.7m
Cash outflows	£1.1m	£1.4m	£1.8m	£1.1m	£1.4m	£1.8m
Net cash flow	£0.2m	(£0.1m)	(£0.4m)	£0.5m	£0.3m	(£0.1m)
Opening balance	(£0.3m)	(£0.1m)	(£0.2m)	(£0.6m)	(£0.1m)	£0.2m
Closing balance	(£0.1m)	(£0.2m)	(£0.6m)	(£0.1m)	£0.2m	£0.1m

(a) Explain the difference between a cash flow statement and a cash flow forecast.

.....
.....
.....
.....[2]

(b) Analyse the cash flow position of *Lushcereal Ltd*.

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....[4]

ADDITIONAL ANSWER SPACE

If additional answer space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s) – for example 28 or 29(a).

A large rectangular area with a solid vertical line on the left side and horizontal dotted lines extending across the page, providing space for writing answers.

OCR

Oxford Cambridge and RSA

Copyright Information:

OCR is committed to seeking permission to reproduce all third-party content that it uses in its assessment materials. OCR has attempted to identify and contact all copyright holders whose work is used in this paper. To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced in the OCR Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download from our public website (www.ocr.org.uk) after the live examination series.

If OCR has unwittingly failed to correctly acknowledge or clear any third-party content in this assessment material OCR will be happy to correct its mistake at the earliest possible opportunity.

For queries or further information please contact the Copyright Team, First Floor, 9 Hills Road, Cambridge CB2 1GE.

OCR is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.