

Monday 11 January 2021 – Afternoon

Level 3 Cambridge Technical in Business

05834/05835/05836/05837/05878 Unit 1: The business environment

Time allowed: 2 hours

C420/2101



You must have:

- a clean copy of the pre-release (Insert C421 - found inside this document)

You can use:

- a calculator

Please write clearly in black ink.

Centre number

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Candidate number

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First name(s)

Last name

Date of birth

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INSTRUCTIONS

- Use black ink.
- Write your answer to each question in the space provided. You can use extra paper if you need to, but you must clearly show your candidate number, the centre number and the question numbers.
- Answer **all** the questions.

INFORMATION

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

ADVICE

- Read each question carefully before you start your answer.

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	/4
27	/13
28	/8
29	/13
30	/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 being enterprising?

(a) A chief executive of a large well-known company

(b) A manager who delegates tasks to his subordinates

(c) A woman who sets up her own online jewellery store

(d) An operative who is promoted to supervisor

[1]

2 A business with a USP has an advantage over its competitors.
What is meant by the term 'USP'?

(a) Unique sales performance

(b) Unique sales promotion

(c) Unique selling point

(d) Unique selling price

[1]

3 Which of the following is an example of empowerment?

(a) Adding layers to the organisational structure

(b) Encouraging independent decision-making

(c) Introducing an employee of the month scheme

(d) Paying higher wages and salaries

[1]

4 A fine is given to a business that:

- (a) avoids unnecessary risk
- (b) has broken the law
- (c) ignores its internal stakeholders
- (d) meets its objectives

[1]

5 A Memorandum of Association is an administrative requirement of a:

- (a) government owned organisation
- (b) partnership
- (c) private limited company
- (d) sole trader

[1]

6 Ignoring the concerns of employees is **most** likely to lead to:

- (a) improved reward systems
- (b) increased charges from suppliers
- (c) limited improvement in business processes
- (d) more frequent environmental campaigns

[1]

7 Last year a wine producer produced and sold the following:

Item	Number of bottles	Selling price	Unit cost
Red wine	40 000	£16	£6
White wine	20 000	£25	£10

The wine producer's profit for last year was:

(a) £440 000

(b) £700 000

(c) £1 140 000

(d) £1 580 000

[1]

8 A lack of communication between business functions:

(a) increases chances of survival

(b) is a concentration risk

(c) is an example of a growth objective

(d) weakens business performance

[1]

9 Which of the following would be classified as variable costs of a hair salon?

(a) Broadband subscription

(b) Rent and rates

(c) Scissors and hairdryers

(d) Shampoos and conditioners

[1]

10 Which of the following is/are **not** found on an organisation chart?

- (a) The chain of command
- (b) The division of work
- (c) The objectives of employees
- (d) The status levels of employees

[1]

11 Which of the following would 'a change of government policy' be an example of?

- (a) A legal change
- (b) A political change
- (c) A social change
- (d) An environmental change

[1]

12 A car manufacturer is currently producing 320 000 cars per year with a margin of safety of 210 000 cars.

The car manufacturer's break-even point is:

- (a) £110 000
- (b) £530 000
- (c) 110 000 cars
- (d) 530 000 cars

[1]

13 Which one of the following would increase business uncertainty?

- (a) Detailed planning
- (b) Fluctuating exchange rates
- (c) Political stability
- (d) Reduced stakeholder conflict

[1]

14 An income statement is used to:

(a) calculate profit or loss

(b) forecast financial requirements

(c) itemise equity capital

(d) list current assets

[1]

15 Which of the following businesses is **most** likely to be negatively affected by an increase in interest rates?

(a) A business that buys goods from abroad

(b) A business that has a lot of debt

(c) A business that sells low cost items

(d) A business that sells products rather than services

[1]

16 Which of the following would be classified as non-current assets in the statement of financial position of a furniture store?

(a) Inventories

(b) Motor vehicles

(c) Trade payables

(d) Trade receivables

[1]

17 A potential investor is likely to want a business to:

(a) increase its market share

(b) maximise its carbon emissions

(c) raise its break-even point

(d) reduce dividends to shareholders

[1]

18 In a SWOT analysis the letter 'O' stands for:

(a) Objections

(b) Objectives

(c) Opportunities

(d) Organisational

[1]

19 A supermarket refuses to stock a leading brand of breakfast cereal because the suppliers' prices are too high.

Which of the following would this be an example of?

(a) A customer boycott

(b) A denial of planning permission

(c) An attempt to alter business behaviour

(d) An empowerment technique

[1]

20 Which of the following is a requirement of the Partnership Act?

(a) Dividends must be paid

(b) Interest must be paid

(c) Profits must be shared

(d) Workload must be shared

[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 **one** internal and **one** external source of finance used by a business that you have researched.

Name of business

Activity of business

Internal source of finance

External source of finance

[2]

- 22 Identify the impact of **two** social trends on a business that you have researched.

Name of business

Activity of business

Social trend 1

Impact on business

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Social trend 2

Impact on business

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[4]

23 Identify four ways a business that you have researched acts as an ethical **employer**.

Name of business

Activity of business

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2

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[4]

24 Analyse **one** advantage and **one** disadvantage to a business that you have researched of being a public limited company.

[6]

Name of business

Activity of business

Advantage

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Disadvantage

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25 Explain how a business that you have researched has resolved a conflict with a trade union.

Name of business

Activity of business

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[4]

Section C

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

Business scenario: *Reading for Everyone*

Reading for Everyone is a national charity, it aims to improve adult literacy across the UK. The main demand for its services comes from urban areas with low levels of disposable income. The charity's trustees have just appointed Pat Salashouri, a leading author of action and adventure novels, as patron. Pat is keen to raise public awareness of the charity.

It is expensive to organise and run literacy workshops and events throughout the UK – the main services of the charity. Most of the money needed to run the charity is raised from its nationwide network of 250 second-hand bookshops. All of the books *Reading for Everyone* sells in its bookshops are generously donated by members of the general public.

Each of the charity's second-hand bookshops is run by a manager (appointed by the trustees and paid a salary), assisted by several volunteers (unpaid). In addition to running the bookshop in a safe manner, each manager needs to ensure that their bookshop meets the following objectives:

- receives sufficient donations of books
- has a large enough pool of reliable volunteers, and
- gets plenty of customers.

The manager is free to choose how to run their bookshop, so long as they are committed to the objectives set by the charity trustees.

Sylvia Simpson is the manager of the charity's second-hand bookshop in Bricknell. The bookshop is located in a small, old property at the end of the marketplace close to the city's cathedral. The shop's staircase, which is steep, narrow and dimly lit, leads up to a small area with polished floorboards where the non-fiction books can be found. Fiction books and a small reading area are located downstairs. Downstairs the floor is still covered with the original tiles; some of the tiles are cracked or missing, especially near the doorway.

Space is extremely limited and books are shelved from floor to ceiling everywhere (a stool is available to help reach the highest shelves). In addition, books are piled on the floor in every available space – including on the stairs and in front of the fire safety notice and extinguisher. The back of the shop, where the volunteers used to sort the constant flow of donated books, has been turned into a small reading area. Visitors can sit and read books there at their leisure. Since the old building is quite cold, Sylvia has bought a portable gas heater to warm this area. She has also added an electric kettle and a hot drinks tray. By selling tea and coffee, the bookshop makes more money for the charity.

The trustees review the performance of each of its bookshops against the charity's objectives once a year. See **Fig. 1** below for the latest review of the Bricknell bookshop. Up until now Sylvia has relied on passing trade and word of mouth to meet the charity's objectives. Sylvia does not use technology to market the bookshop.

Fig. 1: Annual review of performance against charity objectives, Bricknell bookshop

Objective	Target	Actual	Objective	Target	Actual
Number of books donated	46 000	35 000	Number of volunteers recruited	30	18
Average number of visitors per day	50	60	Volunteer absenteeism	5%	3%
Percentage of visitors who spend money	75%	50%	Volunteer lateness	12%	6%
Number of serious complaints from visitors	0	12	Number of reported accidents/injuries	0	36

All of the questions in Section C should be answered in relation to the business scenario on page 11.

26 *Reading for Everyone* is a charity.

(a) Indicate with a tick (✓) the business sector that *Reading for Everyone* operates in. You should only draw **one** tick.

Business sector:

Private

Public

Third

[1]

(b) Identify who is legally responsible for the control of *Reading for Everyone*.

..... [1]

(c) Explain why a charity is called a 'not-for-profit' organisation.

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27 *Reading for Everyone* allows Sylvia to choose how to run the Bricknell bookshop.

(a) Circle the type of organisational structure *Reading for Everyone* uses when dealing with its bookshops.

You should only draw **one** circle.

Centralised

Decentralised

Matrix

[1]

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- 28 The cash flow forecast and corresponding cash flow statement for the Bricknell bookshop from September to December last year are shown below.

BRICKNELL BOOKSHOP: CASH FLOW FORECAST				
	Sep	Oct	Nov	Dec
Cash inflow:				
Sales revenue (books)	£2000	£3000	£3500	£3500
Sales revenue (drinks)	£800	£800	£600	£600
Total inflow	£2800	£3800	£4100	£4100
Cash outflow:				
Inventory cost	£0	£0	£0	£0
Labour cost	£2000	£2000	£2000	£2000
Overhead cost	£700	£700	£700	£700
Other cost	£100	£100	£100	£100
Total outflow	£2800	£2800	£2800	£2800
Net cash flow	£0	£1000	£1300	£1300
Opening balance	£2000	£2000	£3000	£4300
Closing balance	£2000	£3000	£4300	£5600

BRICKNELL BOOKSHOP: CASH FLOW STATEMENT				
	Sep	Oct	Nov	Dec
Cash inflow:				
Sales revenue (books)	£1700	£2600	£3000	£3200
Sales revenue (drinks)	£740	£760	£540	£560
Total inflow	£2440	£3360	£3540	£3760
Cash outflow:				
Inventory cost	£0	£0	£0	£0
Labour cost	£2000	£2000	£2000	£2000
Overhead cost	£650	£650	£650	£650
Other cost	£40	£50	£40	£80
Total outflow	£2690	£2700	£2690	£2730
Net cash flow	(£250)	£660	£850	£1030
Opening balance	£2000	£1750	£2410	£3260
Closing balance	£1750	£2410	£3260	£4290

(a) The terms 'cost' and 'revenue' have precise financial meanings.

Explain the difference between 'cost' and 'revenue'.

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..... [2]

(b) Explain why no inventory costs are shown on the cash flow forecast and cash flow statement of the Bricknell bookshop.

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(c) Compare the Bricknell bookshop's cash flow forecast and cash flow statement.

Identify:

- two aspects of the financial performance of the bookshop that were **better** than expected;

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- two aspects of the financial performance of the bookshop that were **worse** than expected.

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[4]

29 (a) Name **one** piece of legislation relating to safety that the Bricknell bookshop appears to be in breach of.

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..... **[1]**

(b) Recommend how Sylvia could improve safety standards at the Bricknell bookshop.
Justify your answer.

[12]

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30 Analyse **three** technologies which Sylvia could use to improve the Bricknell bookshop’s marketing function.

Which one of the three technologies would best secure the long-term success of the bookshop? Justify your view.

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END OF QUESTION PAPER

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