

Tuesday 14 May 2024 – Morning

Level 3 Cambridge Technical in Business

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

Time allowed: 2 hours

C420/2406



You must have:

- a clean copy of the Pre-release (inside this document)

You can use:

- a calculator



Please write clearly in black ink. **Do not write in the barcodes.**

Centre number

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Candidate number

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First name(s)

Last name

Date of birth

D	D	M	M	Y	Y	Y	Y
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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.
- Use the Insert to answer the questions in **Section B**.
- 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.

Section A

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

1 The letter 'T' in a SWOT analysis stands for:

A Targets

☐

B Technology

☐

C Threats

☐

D Trends

☐

[1]

2 Which of the following sources of finance is **not** available to a new company?

A Credit card

☐

B Hire purchase

☐

C Reserves

☐

D Share issue

☐

[1]

3 Which of the following would be an internal stakeholder of a petrol station?

A A local government officer who checks the fuel pumps

☐

B A motorist who purchases petrol at the petrol station

☐

C A pressure group that campaigns for cheaper fuel

☐

D A sales assistant who works at the petrol station

☐

[1]

4 A business that uses a matrix structure:

- A** has no margin of safety
- B** makes all decisions centrally
- C** makes poor use of employee expertise
- D** uses cross-functional teams

☐
☐
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☐

[1]

5 An electrical store sells a range of household appliances.

Which functional area would be responsible for answering a shopper's query about a microwave they are considering purchasing?

- A** Customer services
- B** Human resources
- C** Procurement
- D** Research and development

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[1]

6 The IT Department of a large manufacturing company fails to inform the Production Department of an essential software upgrade which will stop production for four hours.

This is an example of:

- A** a concentration risk
- B** a flawed business plan
- C** decentralised decision-making
- D** poor interdepartmental communication

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☐
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[1]

- 7 Joyes Ltd makes children's board games. Its estimated costs and revenues for 2023 are as follows:

- fixed costs: £11 million
- variable costs: 90 p per board game
- average selling price: £15.00 per board game.

Joyes Ltd's break-even level of output for 2023 is estimated to be:

- A** 78 015 board games
- B** 183 334 board games
- C** 780 142 board games
- D** 1 833 334 board games

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[1]

- 8 Which of the following would be classified as 'current assets' in the financial statements for a shoe shop?

- A** Fixtures and fittings to display the footwear
- B** Marketing expenses and broadband charges
- C** Stocks of shoes, boots and slippers
- D** Trade payables of £3000

☐
☐
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[1]

- 9 What is a **demographic** factor that is likely to increase the demand for children's clothing?

- A** A government initiative supporting single parent families
- B** A rise in the birth rate
- C** More children's clothing stores are offering online ordering
- D** The increased availability of facilities for recycling children's clothing

☐
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☐

[1]

10 Business owners are **most** likely to respond to increased competition by:

- A** being more enterprising in the way they meet customer needs
- B** increasing the prices they charge to customers
- C** limiting their advertising and sales promotion activities
- D** withdrawing their labour by going on strike

☐
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[1]

11 A fine is:

- A** a financial punishment for failing to behave in an ethical manner
- B** a financial punishment for failing to meet legal requirements
- C** a non-financial punishment for failing to comply with current legislation
- D** a non-financial punishment for failing to do what is morally right

☐
☐
☐
☐

[1]

12 Local residents could try to stop the physical expansion plans of a nearby factory by:

- A** contacting their trade union
- B** denying planning permission
- C** protesting outside the factory
- D** refusing to do any overtime work

☐
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[1]

13 The law that makes manufacturers responsible for the safety of the goods they produce is called the:

- A** Consumer Protection Act
- B** Customer Protection Act
- C** Health and Safety Act
- D** Health and Safety at Work Act

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[1]

14 What task would be part of the job role of an employee working in the Personnel Department of a large organisation?

- A** Confirming orders and making sales
- B** Maintaining employee reward systems
- C** Managing customer expectations
- D** Providing IT support

☐
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[1]

15 What is an advantage of using a mortgage as a source of finance?

- A** It is a low-cost way to raise funds because no interest is charged
- B** Paperwork and legal documentation is kept to a minimum
- C** Payments can be spread over a long period of time
- D** There are no restrictions on what the money can be spent on

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[1]

16 What is **most** likely to lead to business failure?

- A** Being flexible and willing to develop new business ideas
- B** Creating a detailed business plan to show to the business advisor
- C** Having appropriate sources of finance and sufficient cash flow
- D** Pursuing original objectives despite changes in the external environment

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☐

[1]

17 Which document would contain details of the premises requirements and intended location of a new business?

A Articles of association

☐

B Business plan

☐

C Cash flow forecast

☐

D Deed of partnership

☐

[1]

18 Which of the following is a provision of the Partnership Act?

A Shareholders must be invited to an Annual General Meeting (AGM)

☐

B Shareholders must receive an equal share of the profits

☐

C The business has a separate legal identity from its owners

☐

D The owners of the business are fully liable for its debts

☐

[1]

19 Umi, a departmental manager, is answerable to her line manager for failures within her department.

This is an example of:

A accountability

☐

B authority

☐

C delegation

☐

D empowerment

☐

[1]

- 20** The following figures have been extracted from Jindo plc's financial statements for the final quarter of 2023.

	October	November	December
Net cash flow	£15 million	(£22 million)	£20 million

According to the figures, which **one** of the following statements is true?

- A** Cash inflows exceeded cash outflows in October 2023 and December 2023
- B** During the final quarter of 2023 the company made an overall profit of £13 million
- C** In November 2023 the company made a loss of £22 million
- D** The company's bank account was overdrawn in November 2023

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[1]

Section B

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** tasks performed by the finance function that help a business you have researched maintain financial control.

Name of business

Activity of business

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2

[2]

- 22** Explain how **two** non-financial factors have contributed to the success of a business that you have researched.

Name of business

Activity of business

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[4]

- 23** Analyse **one** positive impact and **one** negative impact on a business that you have researched of automating its production processes.

Name of business

Activity of business

Positive impact

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Negative impact

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[6]

- 24** Identify **two** advantages and **two** disadvantages to a business that you have researched of sourcing long-term finance from a venture capitalist.

[4]

Name of business

Activity of business

Advantage 1

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Advantage 2

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Disadvantage 1

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Disadvantage 2

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- 25** The degree of influence a stakeholder group possesses usually affects how a business responds to its requests.

Give an example from a business you have researched of each of the following:

- 1 meeting the requests of a stakeholder group with a high degree of influence;
- 2 not meeting the requests of a stakeholder group with a low degree of influence.

Name of business

Activity of business

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[4]

Section C

Read the scenario below.

Business scenario: Fordland Manor Ltd

Fordland Manor Ltd is a country spa hotel located in rural Shropshire. Guests stay in the stylish bedrooms overnight and enjoy the luxurious facilities of the health spa during the day.

The health spa's facilities include a heated swimming pool, a hi-tech gym and six wellness rooms offering relaxing therapies e.g. a hot stone massage or a clay body wrap. The hotel has 12 bedrooms and offers guests a range of healthy dining options. The extensive grounds include a peaceful lake and a scented herb garden. The remaining 400 acres are grassland.

Fordland Manor Ltd is currently owned by Jane Orbertson. Jane, a retired electrical engineer, inherited the business in December 2019. Jane owns a luxury 4-bedroomed house and an expensive sports car. She tries to preserve her work/life balance by playing golf and tennis.

Fordland Manor Ltd is run on a day-to-day basis by the General Manager, Zayn Gill. The business is split into two service divisions – the Health Spa and the Hotel. The Health Spa Manager and the Hotel Manager both report directly to Zayn. The Health Spa Manager has three direct subordinates – the Pool Supervisor, the Therapy Supervisor and the Gym Supervisor. Each of these supervisors has a team of 12 assistants. The Hotel Manager also has three direct subordinates – the Accommodation Supervisor, the Catering Supervisor and the Grounds Supervisor. The Accommodation Supervisor and the Catering Supervisor each have a team of 32 assistants. The Grounds Supervisor has a team of six assistants.

All of Fordland Manor Ltd's employees are paid above the living wage. No one is expected to work more than 35 hours a week and there is no evidence of discrimination in the workplace. Recently, the employees have raised some concerns about safety, e.g. faulty electrical cleaning equipment and a shortage of 'wet floor' signs. Zayn has promised to meet with the employees to discuss their safety concerns but has twice cancelled the meeting due to time pressures.

Rooms can be booked by phoning or emailing the business directly or by booking on Fordland Manor Ltd's website. The price is £175 per person per night. No discounts are available. Most guests stay for just one or two nights, with weekends being the most popular. No seasonal marketing is done and no special deals are offered. 98% of guests are from the UK.

Financial data for the business since Jane took ownership is shown in **Figs. 1 & 2** below.

Fig. 1: Revenues of Fordland Manor Ltd since Jane took ownership

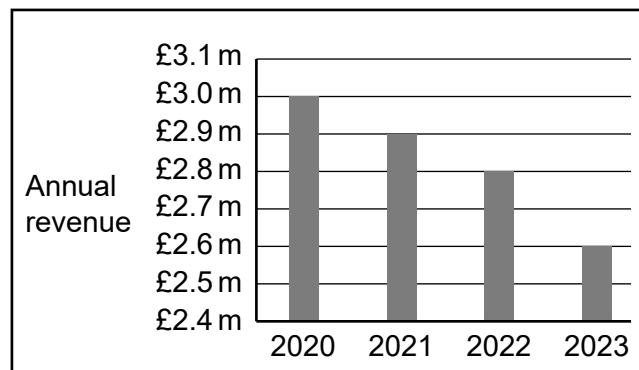
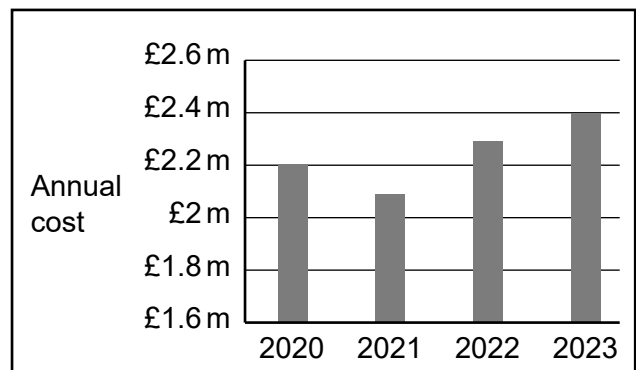


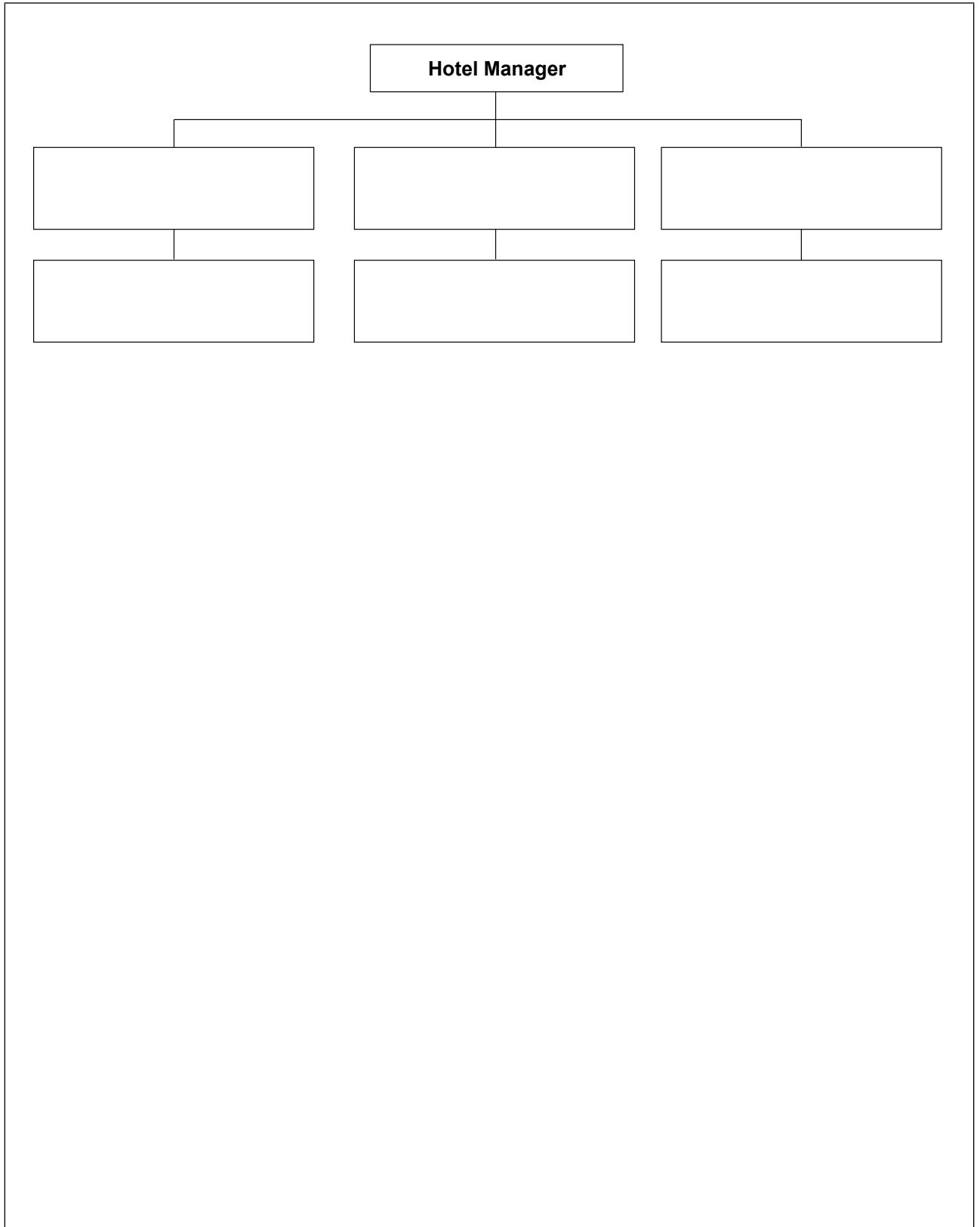
Fig. 2: Costs of Fordland Manor Ltd since Jane took ownership



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

26

(a) Complete the organisation chart below for Fordland Manor Ltd's Hotel division.



[4]

- (b) Name **two** pieces of employment protection legislation that Fordland Manor Ltd appears to have complied with.

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2 [2]

- (c) Explain **one** potential consequence for Fordland Manor Ltd if Zayn further delays listening to employee concerns about safety.

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..... [2]

- 27 Zayn has conducted some customer research to identify how Fordland Manor Ltd might improve its business performance. He gave last month's guests a list of five suggested improvements to the business. He then asked the guests to rate these suggested improvements in order of preference. The guests' preferences are shown in the table below.

Suggested improvements to our service provision	% of guests who rated the suggested improvement as their first choice
Be more environmentally friendly	43%
Make better use of available land	36%
Focus on corporate social responsibility activities	20%
Make the dining options more innovative	1%
Open an on-site leisurewear shop	0%

Recommend how Fordland Manor Ltd should alter its service provision in response to the preferences of its guests as shown in the table above. Justify your answer.

[12]

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28**(a)** Refer to **Figs. 1 & 2**.**(i)** Identify:

- the year when the business' **revenue** performance was the best

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- the year when the business' **cost** performance was the best.

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[2]

(ii) Calculate the amount by which Fordland Manor Ltd's 2023 profit **fell short** of the profit made by the business in 2020.

Show your workings.

[3]

(b) Name the financial statement that summarises the annual revenues, costs and profits of a business.

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

- 29** Analyse **three** advantages to Jane of operating Fordland Manor as a private limited company rather than as a sole trader.

Which advantage is most important? Justify your answer.

[12]

This image shows a full page of primary-ruled paper. It features approximately 20 horizontal dotted lines spaced evenly down the page, providing a guide for handwriting practice. The paper is otherwise blank, with no margins, text, or other markings.

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30 Jane has just read the following announcement on her newsfeed:

“The UK government expects disposable income levels across the UK to fall significantly over the next three years.”

Jane knows that low levels of disposable income are a major threat to her business.

Advise Jane how Fordland Manor Ltd should respond to the expected fall in disposable income levels across the UK. Justify your answer.

[12]

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