OCR
Oxford Cambridge and RSA

Friday 16 May 2025 – Morning

AS Level Business

H031/01 The local business environment

Time allowed: 1 hour 30 minutes

You must have:
- the Resource Booklet

You can use:
- a calculator

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

Centre number						Candidate number				

First name(s) ______________________

Last name ______________________

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 number(s).
- Answer **all** the questions.
- Use the Resource Booklet to answer the questions in Section B.

INFORMATION
- The total mark for this paper is **60**.
- The marks for each question are shown in brackets **[ ]**.
- Quality of extended response will be assessed in questions marked with an asterisk (*).
- This document has **16** pages.

ADVICE
- Read each question carefully before you start your answer.

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Section A

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

1 Four stages of the product life cycle are:

(a) development, globalisation, maturity, decline ☐

(b) development, growth, marketing, recession ☐

(c) development, growth, maturity, decline ☐

(d) diversification, growth, maturity, decline ☐

[1]

2 A business has increased its output in relation to its inputs.

Which statement **must** be true?

(a) Capacity utilisation has increased ☐

(b) Productivity has increased ☐

(c) Profit levels have increased ☐

(d) Workforce motivation has increased ☐

[1]

3 Rix Ltd is an independent convenience store.

What is Rix Ltd an example of?

(a) A private sector organisation that manufactures goods ☐

(b) A secondary organisation that operates nationally ☐

(c) A tertiary organisation that serves its local market ☐

(d) A third sector organisation that provides a service ☐

[1]

4 What is a short-term source of finance suitable for an entrepreneur starting their first business?

(a) Retained profit ☐

(b) Sale and leaseback ☐

(c) Trade credit ☐

(d) Venture capital ☐

[1]

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5 A business has seven employees who each work 20 days a month. Last month, a total of 28 days were lost due to illness.

What was the rate of absenteeism last month?

(a) 5%

(b) 20%

(c) 25%

(d) 40%

[1]

6 A bakery does not have a unique selling point (USP). In which section of the bakery's SWOT analysis should this be recorded?

(a) Opportunity

(b) Strength

(c) Threat

(d) Weakness

[1]

7 A business has added value to its products.

What is the most likely **disadvantage** for a customer of this?

(a) Higher prices

(b) Higher quality

(c) Limited availability

(d) Reduced functionality

[1]

8 What is a social factor that may affect a retailer?

(a) Advances in SMART technologies

(b) Fewer customers are using cash

(c) Government support for electric vehicles

(d) Increases in the cost of living

[1]

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9 What is an example of good customer service for a school?

(a) A positive report in the local newspaper

(b) Achieving better than expected exam results

(c) Improving the students' toilets

(d) Resolving parents' queries quickly

[1]

10 A business' cash-flow forecast for July is shown in the table.

	July
Cash inflows	£180 000
Cash outflows	£190 000
Net cash inflow	(£10 000)
Opening balance	(£15 000)
Closing balance	(£25 000)

The business needs to update these figures because July's cash inflows are now expected to be 20% lower than originally forecast.

The closing balance for July is now forecast to be:

(a) (£61 000)

(b) (£30 000)

(c) (£20 000)

(d) £11 000

[1]

11 Which marketing tool is part of an 'above the line' promotional strategy?

(a) Direct mailing

(b) Newspaper advertising

(c) Personal selling

(d) Trade fairs

[1]

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12 What is an advantage for a tractor manufacturer of using a 'kanban' system?

(a) A solution will be found to speed up the fitting of the tractor tyres

(b) The movement of vehicle parts on the production line can be tracked

(c) The paint shop will have an ergonomic design

(d) Tractors with faults will be identified at the earliest opportunity

[1]

13 The reward for enterprise as a factor of production is:

(a) cash-flow

(b) interest

(c) profit

(d) wages

[1]

14 What is **not** an advantage for a business of segmenting its market?

(a) Helps design more effective promotions

(b) Helps give a clearer brand image

(c) Helps identify opportunities for innovation

(d) Helps reach a mass market

[1]

15 A restaurant has a price inelastic demand. Its owner has an objective to increase profits without reducing demand or affecting the restaurant's reputation for excellent quality.

Which decision would be **most** likely to achieve the owner's objective?

(a) Buy lower quality ingredients

(b) Cancel subscriptions to online table-booking sites

(c) Increase the price of all meals

(d) Reduce the number of main course options on the menu

[1]

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Section B

Use the **Resource Booklet** to answer the questions.

16 State **one** advantage of being a private limited company.

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.... **[1]**

17 Explain **two** internal economies of scale.

1 ....

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2 ....

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[4]

18 Explain **two** likely impacts on KCOM of increased competition in Hull and the surrounding area.

1 ....

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2 ....

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[4]

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19* Evaluate **two** benefits for KCOM of the training it gives to its employees. **[12]**

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20 Refer to **Table 1**.

Calculate the market growth in the UK telecommunications industry between 2021 and 2022.

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Answer .... **[2]**

21 Refer to **Fig. 1**.

It is estimated that KCOM needs 84 360 customers to break even.

Calculate KCOM's margin of safety for 2023.

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Answer .... **[2]**

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22* Until recently, KCOM had a monopoly in the telecommunications market in Hull and the surrounding area. Other broadband suppliers are now entering this market.

Evaluate ways that KCOM can reduce its level of risk as new competitors enter this telecommunications market. **[20]**

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END OF QUESTION PAPER

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