



Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

I declare this is my own work.

AS BUSINESS

Paper 1 Business 1

Friday 15 May 2020

Afternoon

Time allowed: 1 hour 30 minutes

Materials

For this paper you must have:

- a calculator.

Instructions

- Use black ink or black ball-point pen.
- Fill in the box at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this answer book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80.

For Examiner's Use	
Question	Mark
Section A	
11	
12	
13	
14	
15	
16.1	
16.2	
17.1	
17.2	
TOTAL	



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Section A

Answer **all** questions in this section.Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.



0 1

A business moves an employee to a different job.

This is known as

[1 mark]

A delayering

☐

B delegating

☐

C redeployment

☐

D redundancy

☐

0 2

A supplier asks 200 consumers to explain why they like its products. The supplier passes their responses on to a retailer.

For the retailer this is an example of

[1 mark]

A qualitative, primary market research.

☐

B qualitative, secondary market research.

☐

C quantitative, primary market research.

☐

D quantitative, secondary market research.

☐

0 3

An organised association of workers, formed to protect and further their rights and interests, is known as a

[1 mark]

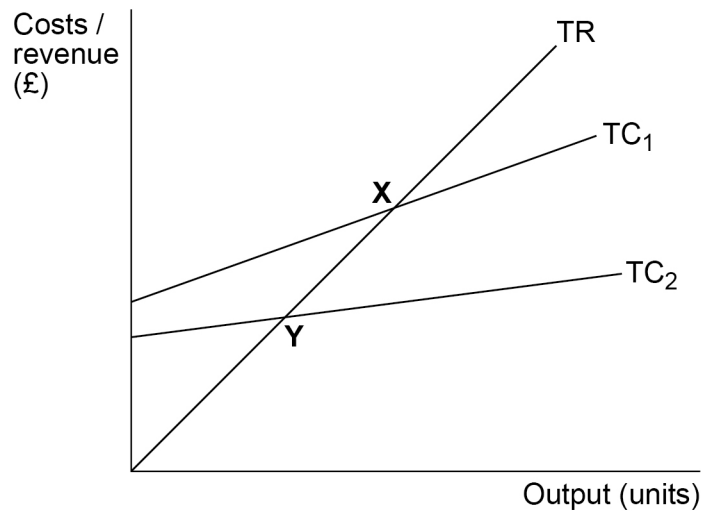
- A Human resources department
- B Kaizen group
- C Trade union
- D Works council

☐☐☐☐

0 4

Figure 1 shows a situation in which there is a change in the break-even point of a product from point **X** to point **Y**.

Figure 1



The change in break-even point from **X** to **Y** has been caused by

[1 mark]

- A a fall in fixed costs and a fall in variable costs per unit.
- B a fall in fixed costs only.
- C a fall in the selling price and fall in fixed costs.
- D a fall in variable costs per unit only.

☐☐☐☐

Turn over ►



0 5

The data below in **Table 1** shows the weekly output and total costs of a business.

Table 1

Weekly output (units)	Total costs (£)
0	420
1	700
2	950
3	1320
4	1750

The total variable cost of producing three units of output is

[1 mark]**A** £420☐**B** £440☐**C** £900☐**D** £1320☐

0 6

Statement 1: 'One purpose of stakeholder mapping is to show the level of power of different stakeholders'.

Statement 2: 'One purpose of stakeholder mapping is to show the level of interest of different stakeholders'.

Read statements 1 and 2 and select the correct option from the following:

[1 mark]**A** Statement 1 is true. Statement 2 is true.☐**B** Statement 1 is true. Statement 2 is false.☐**C** Statement 1 is false. Statement 2 is true.☐**D** Statement 1 is false. Statement 2 is false.☐

0 7

Statement 1: 'If its product is perishable, a business is likely to have a high buffer level of inventory'.

Statement 2: 'If a business buys its materials from a just-in-time supplier in the same town, there is likely to be a long lead time for supplies'.

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true.

☐

B Statement 1 is true. Statement 2 is false.

☐

C Statement 1 is false. Statement 2 is true.

☐

D Statement 1 is false. Statement 2 is false.

☐

0 8

The data in **Table 2** refer to Abacus plc in 2018 and 2019.

Table 2

	2018	2019
Number of employees	20	40
Output (units)	50	100
Capacity (units)	100	200

Statement 1: 'Labour productivity has stayed the same between 2018 and 2019'.

Statement 2: 'Capacity utilisation has stayed the same between 2018 and 2019'.

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true.

☐

B Statement 1 is true. Statement 2 is false.

☐

C Statement 1 is false. Statement 2 is true.

☐

D Statement 1 is false. Statement 2 is false.

☐

Turn over ►



0 9

A manager uses decision trees to choose the best financial outcome from four different options. Results from these options are shown below.

Option	Result 1	Result 2
A	Expected value = +£2 million	Pay-off of best outcome = +£18 million
B	Net gain = +£3 million	Pay-off of best outcome = +£12 million
C	Net gain = +£2 million	Expected value = +£4 million
D	Net gain = +£1 million	Expected value = +£7 million

Which **one** of these options is most likely to be chosen by the manager?

[1 mark]

A Option A

☐

B Option B

☐

C Option C

☐

D Option D

☐

1 0

Receivables are the value of

[1 mark]

A a business's sales revenue.

☐

B inventory held by a business.

☐

C money owed to a business by its customers.

☐

D money owed to suppliers by a business.

☐

Section B

Answer **all** questions in this section.

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outside the
box

1 1

A business with a reputation for manufacturing a high-quality product has introduced piece-rate pay for its factory workers.

Explain **one** possible disadvantage to this business of using piece-rate pay.

[4 marks]

1 2

The following data applies to a business:

Fixed costs	£1.5 million
Total costs	£6 million
Output	2 million units
Profit	£3 million

Calculate the selling price per unit.

[3 marks]

4

3

Turn over ►



1 3

A family-owned private limited company is planning an expansion.

Explain **one** disadvantage to the shareholders of this business of selling shares to finance this expansion.

[4 marks]

1 4

A business budgeted its labour costs to be £4 million for 2019. It recorded an adverse variance of £2 million on this budget.

Explain **one** action the business managers might take in these circumstances.

[4 marks]

Extra space

4

4


1	5
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A business has a manager with a 'country club' style of management on the Blake Mouton grid. It replaces this manager with one who has a 'produce or perish' style.

Analyse **one** impact this change could have on the motivation of the business's employees.

[5 marks]

[illegible]

Extra space

Turn over for Section C

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5

Turn over ►



Section C

Answer **all** questions in this section.

1	6
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Horizons Ltd

In 2010, Yusuf set up his own accountancy business, Horizons Ltd. Yusuf had previously been a successful manager in a large accountancy company.

Currently, Yusuf has 18 employees, all of whom report directly to him. Yusuf tells his staff to check all important decisions with him; he says this is because one wrong decision could be costly for the business both financially and in terms of its reputation.

As the business has grown, Yusuf has had to work longer hours. He is finding this workload a strain and recently had time off with stress. This delayed the completion of some jobs and Horizons Ltd had to charge some of its clients less for this accounting work as a result.

To try to increase revenue, Yusuf has recently decreased prices. Horizons Ltd now charges around 10% less than rivals. The business also spent £45 000 for the year on the promotional mix; £35 000 of this was on print advertising such as newspapers and £10 000 a year on social media advertising.

Yusuf's team is made up of newly qualified accountants. Staff morale is very low. The productivity of the staff is lower than at several rival businesses despite the fact that they are paid 8% more than the industry average. Many staff feel they are unable to use their initiative and that they have little responsibility. Labour turnover is high at the business.

Yusuf has recently hired a management consultant to look at how he can improve the performance at Horizons Ltd.

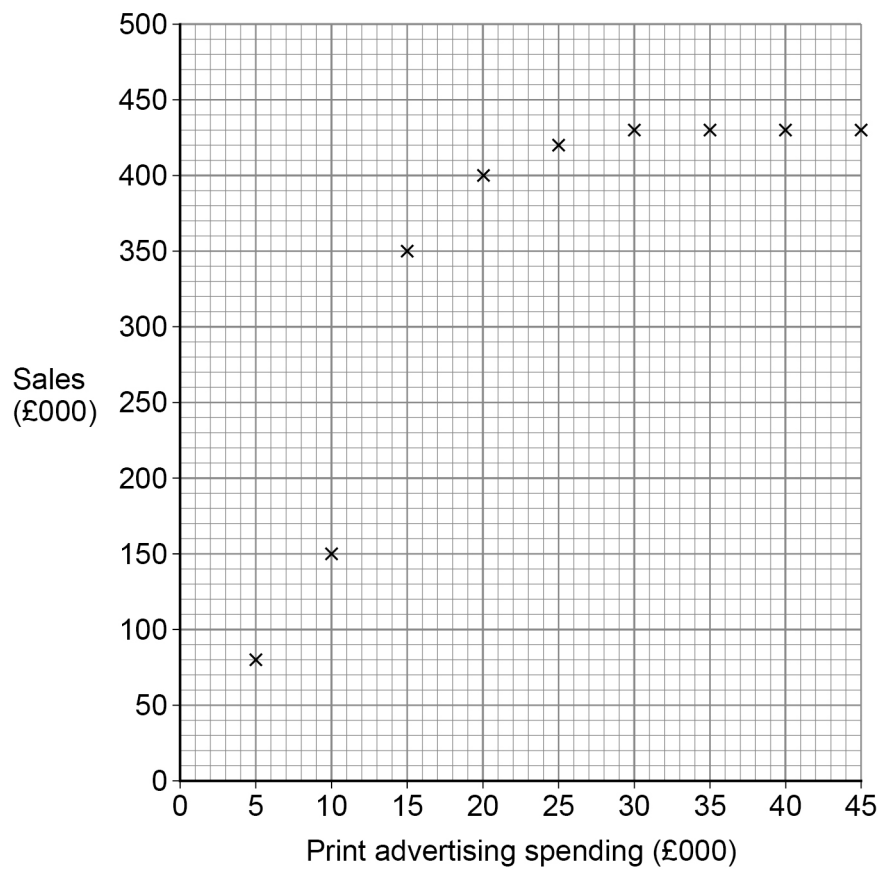
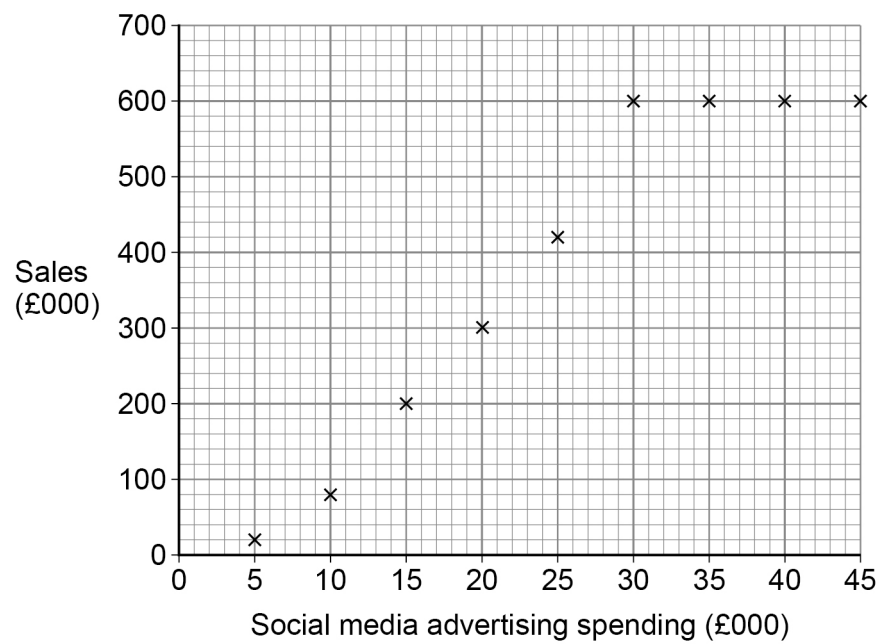
The consultant:

- has produced some analysis of the forecasted effectiveness of print and social media advertising for Horizons Ltd (see **Figure 2** and **Figure 3**)
- has estimated that the price elasticity of demand for Horizons Ltd work is -0.3 .

The consultant has also produced a plan for a new organisational design in which she recommends that Yusuf:

- a) recruits three new managers from outside of the business to manage six staff each
- b) delegates to these new managers much of his day-to-day work.



Figure 2**Figure 3****Turn over ►**

[9 marks]

[illegible]

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9



Yusuf is considering the consultant's plan for a new organisational design at Horizons Ltd. Do you think it would be a good idea for Yusuf to adopt this plan? Justify your answer.

[illegible]

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Turn over ►



1 7

Glade Ltd

Mary is the Chief Executive of Glade Ltd, a company that manufactures tables. Glade Ltd currently produces 4000 tables each year. It hopes to increase sales by 50% over the next three years and even more in the long run.

Glade Ltd has a reputation for being ethical because:

- Glade Ltd's mission is to be the leader in its industry for using sustainable materials in its products. This means, for example, that it uses wood from companies that replant new trees to replace those cut down. Glade Ltd's main competitors use about 40% of sustainable materials in their final products. Glade Ltd currently has 70% of sustainable materials and wants to continue improving this
- it pays its suppliers within one month of delivery.

Glade Ltd makes relatively low profits but a bigger issue is its regular cashflow problems. The company's bank manager has offered Mary a large overdraft facility and has told her that interest rates are likely to fall soon. Mary is not sure whether to take out an overdraft or not.

Glade Ltd sells all its tables to three big retailers. These retailers buy in large quantities. Glade Ltd typically gets paid between two and three months after it delivers the orders. Glade Ltd's largest rival gets paid within six weeks by threatening to charge interest on money still owed after this time.

Glade Ltd has one main supplier for the materials it uses in its tables. Mary has recently appointed a new operations manager, who has suggested that Glade Ltd switches to a new supplier. The comparison of suppliers is given in **Table 3**. The price of materials and payment terms would be the same for both suppliers.

The operations manager also thinks that Glade Ltd should try to reduce the amount of warehousing space the company has and sell some of the land where it is based.

Table 3

	Existing supplier	New supplier
Capacity for orders for Glade Ltd	5700 a year	9000 a year
Lead time	12 days	8 days
Percentage of materials supplied to customers that are from sustainable sources	70%	90%



With reference to **Table 3**, analyse the ways in which changing supplier could improve Glade Ltd's profits.

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9

Turn over ►



Mary is concerned about Glade Ltd's cashflow problems. Do you think an overdraft is the best way to deal with the company's long-term cashflow problems?

[illegible]

Extra space

Turn over ►



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ANSWER IN THE SPACES PROVIDED**

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[illegible]

[illegible]

