



Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

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Forename(s)

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Candidate signature

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AS BUSINESS

Paper 1 Business 1

Friday 17 May 2019

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.
- 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.

Do not write
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box

Only **one** answer per question is allowed.

For each answer 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

According to Herzberg's 'two factor' theory of motivation, which **one** of the following is a hygiene factor?

A Greater responsibility

☐

B Higher pay

☐

C More interesting tasks

☐

D Opportunities for promotion

☐

[1 mark]

0 2

The data below is taken from the accounts of Abacus plc for 2018 – 2019.

Revenue	£15 million
Cost of sales	£7 million
Other expenses	£9 million
Taxation	£2 million

The gross profit for Abacus plc in £ (millions) is

A 4

☐

B 6

☐

C 8

☐

D 13

☐

[1 mark]



0 3

Ordinary shares traded on the stock exchange are those issued by

A private limited companies.

☐

B public limited companies.

☐

C public sector organisations.

☐

D sole traders.

☐

[1 mark]

0 4

A manager has a high concern for people and a low concern for production or task. According to Blake Mouton this manager is

A a country club leader.

☐

B a middle of the road leader.

☐

C an impoverished leader.

☐

D a team leader.

☐

[1 mark]

0 5

Which **one** of these job characteristics is **not** a factor that will motivate employees, according to Hackman and Oldham's model? A high level of

A autonomy

☐

B predictability

☐

C skill variety

☐

D task significance

☐

[1 mark]

Turn over for the next question

Turn over ►



0 6

The **two** statements below relate to the seven P's of the marketing mix.

Statement 1: Ensuring that communications with customers are dealt with promptly is an aspect of 'Process'.

Statement 2: Ensuring that the reception area of a business is clean and tidy is an aspect of 'People'.

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

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.

☐

[1 mark]

0 7

A business wishes to reduce its capacity. Which of the following actions is **not** a method that a business will use to achieve this aim?

A Cutting back on capital equipment

☐

B Rationalising its labour force

☐

C Reducing output

☐

D Selling a factory to another business

☐

[1 mark]

0 8

Based on Tannenbaum and Schmidt's continuum of leadership, in which part of the continuum does the manager have least authority?

A Consult

☐

B Sell

☐

C Share/Joins

☐

D Tell

☐

[1 mark]

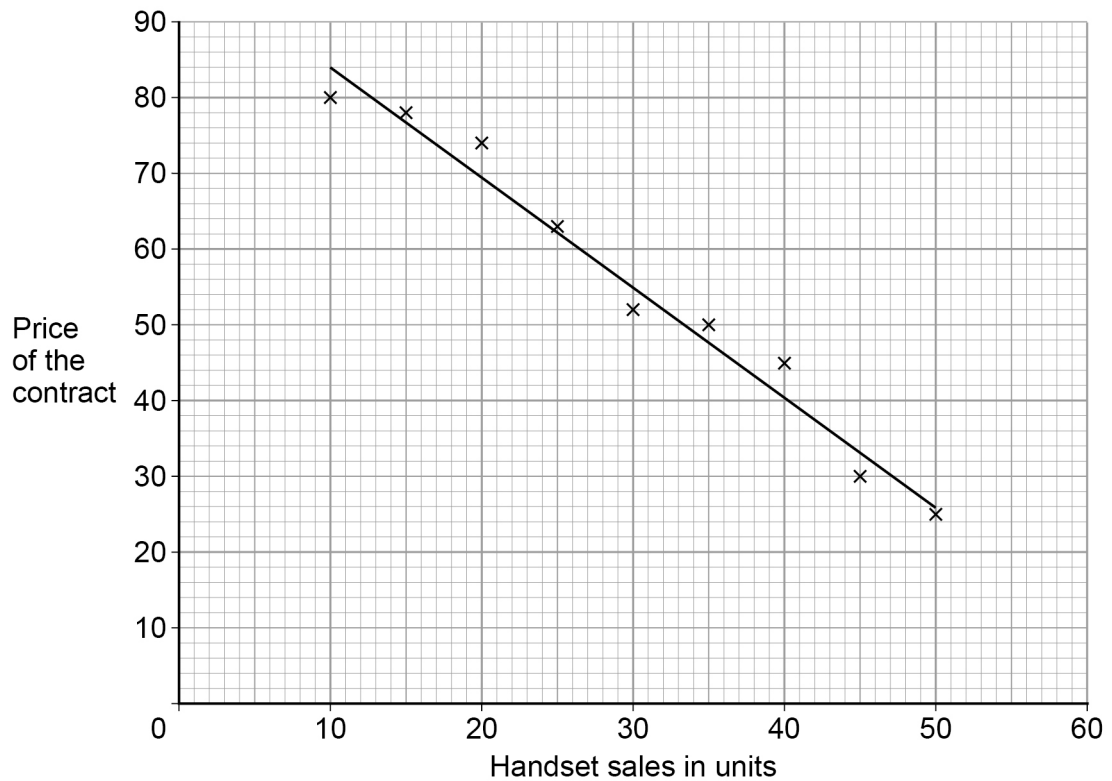


0 9

The scatter diagram, **Figure A**, shows the relationship between the price of mobile phone contracts and the sale of handsets.

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Figure A



The diagram indicates that between the price of contracts and sale of handsets there is a

A strong positive correlation.

☐

B strong negative correlation.

☐

C weak positive correlation.

☐

D weak negative correlation.

☐

[1 mark]

Turn over for the next question

Turn over ►



1 0

The data below applies to **two** different factories.

Factory	Capacity (units)	Actual output (units)	Number of employees	Cost of equipment
A	100	80	10	£1m
B	200	170	40	£1m

Statement 1: 'Factory A has a higher capacity utilisation than Factory B.'

Statement 2: 'Factory B uses more capital-intensive production than Factory A.'

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

- 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.

☐
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[1 mark]

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Turn over for Section B

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ANSWER IN THE SPACES PROVIDED**

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Turn over ►



Section B

Answer **all** questions in this section.

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A business had a labour turnover of 15% in 2017 and 25% in 2018. Explain the likely impact of this change in labour turnover on its recruitment costs.

[2 marks]

1	2
---	---

A manager is considering whether to launch a new, innovative product.

Explain **one** limitation of using a decision tree to make this decision.

[4 marks]

2

4

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1 3

The following data applies to a business:

- break-even output = 500 units
- fixed costs = £30 000
- variable cost per unit = £30.

The business is currently operating at its break-even output. Calculate its selling price.
Show your workings.

[4 marks]

Selling Price £ _____

Workings _____

Turn over for the next question

Turn over ►



1 4

The total output of a business increased by 15.5% between 2017 and 2018. Using the table below calculate the change in labour productivity. Show your workings.

	Labour productivity (units)	Number of employees	Total units output
2017	80	40	
2018		42	

[5 marks]

Change in labour productivity in units _____

Workings _____

Extra space _____

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5



Analyse **one** effect of an ageing population on the level of profits of a private hospital business.

[illegible]

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Turn over ►



Section C

Answer **all** questions in this section.

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Colbeck Toys Ltd

Colbeck's is a UK based toy distributor. It has around 100 warehouse staff who unload, sort and pack toys into boxes to be sold onto retailers. These employees are on zero hours' contracts and worry as this means they are not guaranteed work each week. Labour productivity at the warehouse is low.

In the business head office there are 20 employees. All of these staff are well qualified and experienced. They are highly paid. However, staff feedback shows nearly all these staff feel demotivated.

The business has been owned by the Colbeck family since its establishment 100 years ago. Chris Colbeck, 65, is the current chief executive and his daughter, also a director, is expected to take over when he retires. The family has always prided itself on investing for the future. Chris is fiercely protective of the business. He has a tell style of management which is often commented on by the head office employees.

The business has strong profit figures in the growing market that it operates in; however it has poor levels of cash as lots of it is tied up in the inventory.

Chris has a plan to expand Colbeck's which requires £20 million. He has approached a bank for a loan. Based on its forecasted profit figures the business can currently pay the expected monthly repayments of the new loan. However, last year Colbeck's took out another sizeable loan and experts are predicting interest rates may rise.

Chris has recently had an investment offer from a venture capitalist, Mark Newton. Mark has a strong record of increasing short term profits but often at the expense of employees' jobs. Mark has offered £20 million for a 51% share of Colbeck's. Chris estimates if the business became a public limited company its market capitalisation would be £30 million.



[9 marks]

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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9

Chris needs to make a decision about how to raise the finance for the expansion. Do you think using a bank loan or venture capital would be the better option? Justify your answer.

[illegible]

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Turn over ►



Charlotte's Sculptures

Charlotte is passionate about art and design. In 2014 she began producing and selling unique art sculptures. She was an art college student at the time with no business qualifications but did win a national art award. In 2016, Charlotte was offered a large contract from a national high street department store called Doyles. Charlotte has had to work long hours to meet the order but loves making the art. All of her sculptures are sold under the Doyles brand name.

To agree the contract, Charlotte met with a senior buyer from Doyles' head office. Doyles centralises all its decisions about purchases, prices and inventory. The company has 3000 employees and 52 stores in the UK, based in many locations from wealthy large cities to smaller market towns.

The contract that Charlotte has means that she must sell her pieces exclusively to Doyles. She only receives her payments once the sale occurs in store.

At the end of this year the contract between Doyles and Charlotte must be renewed or terminated. Doyles' senior management team is keen to renew on the same terms. The market for art sculptures is growing rapidly. Charlotte thinks there may be more money to be made by selling her products herself online. She has completed some estimates below:

	Current net profit margin %	Selling price £	Sales forecast per week for 2020 (units)
Selling to Doyles	10	200	40
Selling online	40	160	18

As part of her research, Charlotte spoke to a jewellery business who started selling independently in 2015 after cancelling a contract with Doyles. After the conversation Charlotte noted the following points from the jeweller:

- online advertising costs are rising rapidly
- social media pages help advertising if they engage audiences with content daily
- strong branding is important; the jeweller had a campaign backed by a celebrity which boosted sales in one year by 300%
- the jeweller's sales forecasts for the first year were far too optimistic
- four years later the jeweller's sales are higher than they were under the Doyles contract.

The jewellery business owner had a degree in marketing and assistance from friends.



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[9 marks]

[illegible]

9

1 7 . 2

Do you believe that Charlotte should renew her contract with Doyles or start selling online only? Justify your answer.

[16 marks]

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[illegible]

END OF QUESTIONS



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