

Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

AS BUSINESS

Paper 1 Business 1

Thursday 18 May 2017

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 boxes 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	
15.1	
15.2	
16.1	
16.2	
TOTAL	



Section A

Answer **all** questions in this section.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**

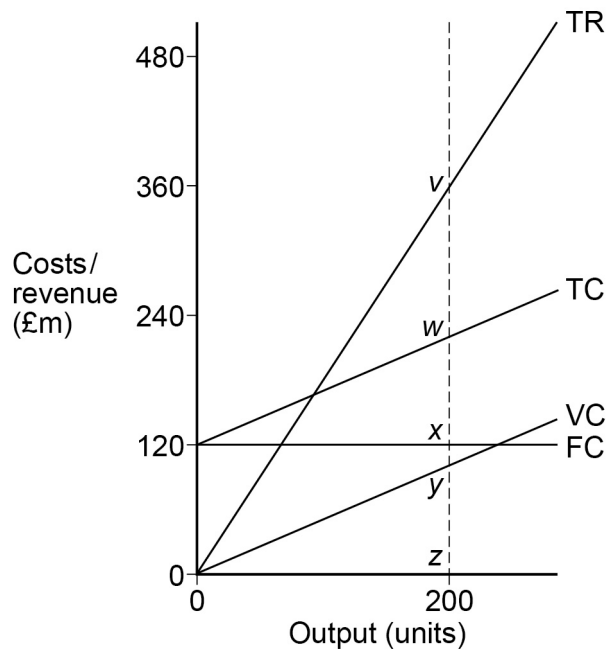
The sales revenue for a market has grown by 2% in 2016 compared with sales of £670 million in 2015.

What is the new sales revenue for the market?

A £13.4 million☐**B** £672.0 million☐**C** £683.4 million☐**D** £1340.0 million☐**[1 mark]**

0 2

The break-even chart below shows details of costs and revenue for a business.



At 200 units of output, profit is shown by the distance:

- A vw
- B vx
- C vy
- D vz

☐
☐
☐
☐

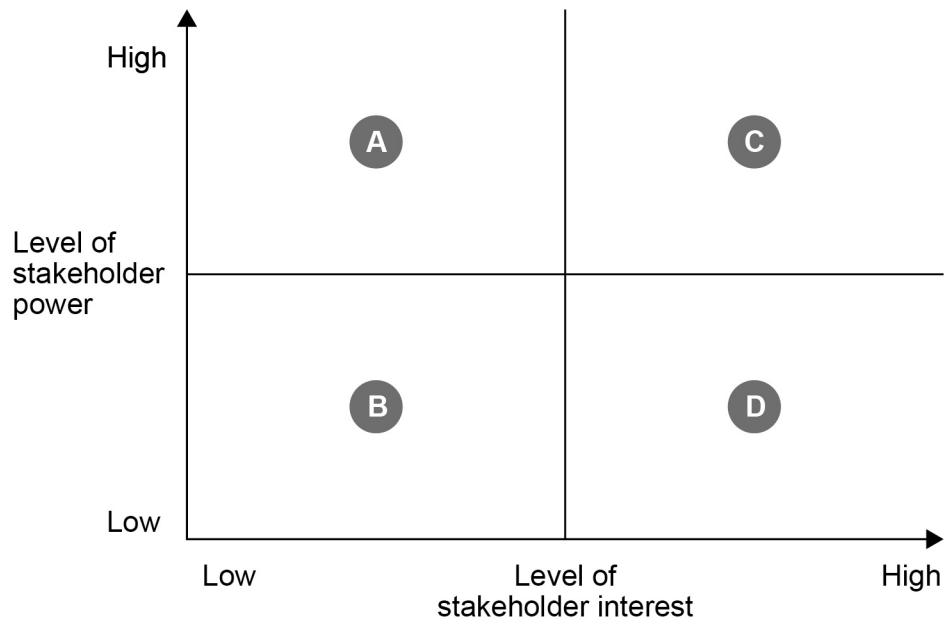
[1 mark]

Turn over for the next question



0 3

Use the stakeholder map below to choose the stakeholder group that is the least likely to influence management decision making.



A A

☐

B B

☐

C C

☐

D D

☐

[1 mark]

0 4

A 10% increase in the price of a product causes a 20% fall in the quantity demanded. This relationship between the price and the quantity demanded of the product shows:

A Negative correlation and price elastic demand

☐

B Negative correlation and price inelastic demand

☐

C Positive correlation and price elastic demand

☐

D Positive correlation and price inelastic demand

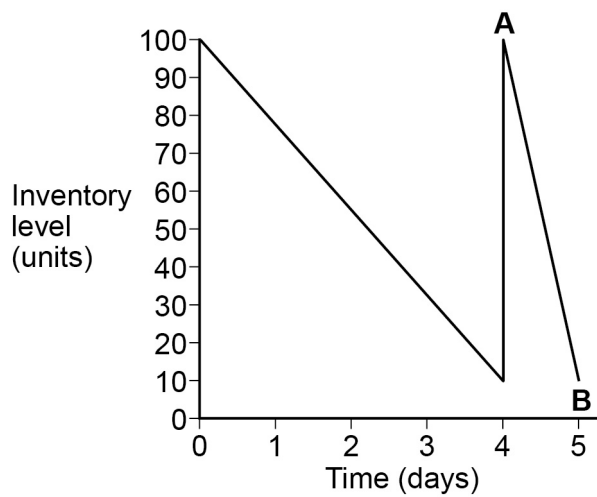
☐

[1 mark]



0 5

Which of the following sources of finance is used primarily for short-term uses?

A Debt factoring☐**B** Share capital☐**C** Sale of buildings☐**D** Venture capital☐**[1 mark]****0 6**In the diagram below the change in the level of inventory between points **A** and **B** indicates that there was:**A** An increase in the quantity demanded by customers☐**B** An increase in the lead time☐**C** An increase in the re-order quantity☐**D** An increase in the maximum level of inventory☐**[1 mark]**

0 7

According to Hackman and Oldham's job characteristics model, meaningfulness of work is obtained through some of the following factors.

Which of the factors does **not** fit in with Hackman and Oldham's model?

- A Financial reward ☐
- B Skill variety ☐
- C Task identity ☐
- D Task significance ☐

[1 mark]

0 8

The following data relates to the financial position of Whittaker plc for the 2015–2016 financial year.

- Revenue: £25 750 million
- Dividends paid: £2 655 million
- Gross profit margin: 24.5%
- Net profit margin: 5.6%

Whittaker plc's gross profit for the 2015–2016 financial year was:

- A £1 442.00 million ☐
- B £148.68 million ☐
- C £650.48 million ☐
- D £6 308.75 million ☐

[1 mark]

0 9

Actual output for a factory in April 2017 was 35 500 units and its maximum possible output was 46 500. What was its capacity utilisation?

- A 73.09% ☐
- B 76.34% ☐
- C 82.13% ☐
- D 83.25% ☐

[1 mark]



1	0
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Which of the following statements is true?

- A** If labour productivity has increased a business must be producing more output.
- B** If market capitalisation increases dividends must increase.
- C** Quality assurance focuses more on preventing errors than identifying them.
- D** Redundancy occurs when a person is moved to another job within the organisation.

☐☐☐☐

[1 mark]

10

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Turn over for Section B



Section BAnswer **all** questions in this section.

- 1 1** Calculate the operating profit variance and state whether it is adverse or favourable.

	Budget (£m)	Actual (£m)
Sales revenue	3.5	2.3
Cost of sales	1.3	1.2
Expenses	1.4	1.5
Operating profit/loss		

[4 marks]

Operating profit variance _____

Working _____



1	2
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Extra space _____

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5



IB/G/Jun17/7131/1

1 3 Explain the value to a start-up business of using primary marketing research.

[5 marks]

Extra space



[6 marks]

Extra space _____

Turn over for Section C

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6



Turn over ►

Section C

Answer **all** questions in this section.

1 5

AdventureCamp

In 2015 Sam Turner decided to leave the army and set up his own business. He had always enjoyed being a risk taker. He spent nearly a year establishing AdventureCamp Ltd (AC Ltd) just outside London. At the camp Sam runs outdoor activities for adults such as zip wire and rope climbing challenges; it includes a café area. Sam is very 'hands on' and enjoys managing every aspect of the business. However, he has found it harder than he imagined negotiating with suppliers and banks; perhaps because the business is new and small.

Sam targets business customers who use his camp for team-building events. Sam designs specific activities for each business based around his specialist army training. He has offered very favourable trade credit terms and, in this first year, big discounts where necessary to win bookings. He believes that once organisations have used his services he will win their repeat business and their brand loyalty. He is well aware there are many other team-building companies that businesses could use.

For his first year Sam set two financial targets: to break even and to keep his short-term borrowings from the bank under £25 000. His mission is to create a number of AdventureCamps across the UK in the next few years.

Sam is now considering two options. He does not have the time to do both.

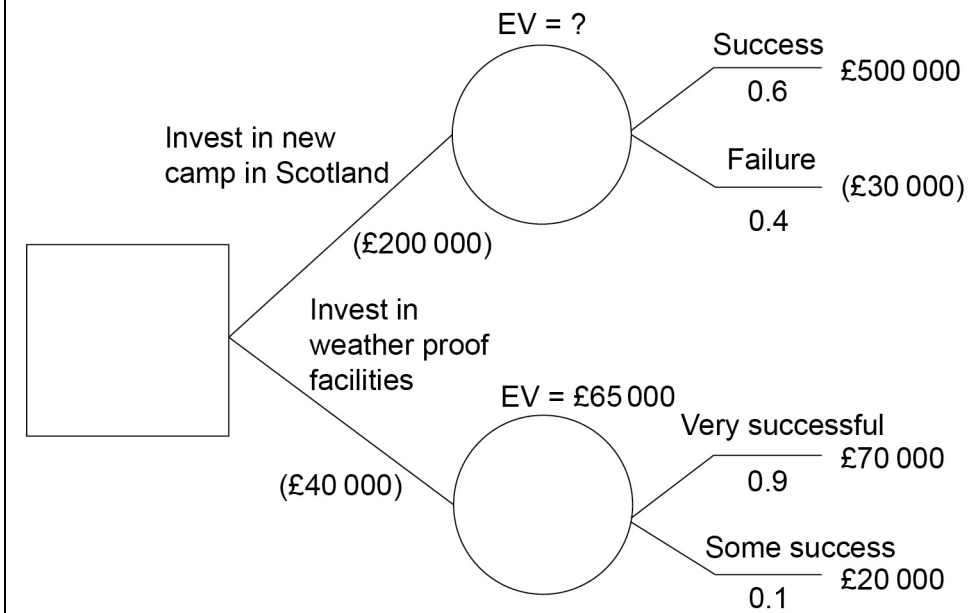
Option 1: Adding new facilities to the existing camp to provide some activities that are usable when the weather is bad. Sam has had to cancel bookings at the very last minute because of health and safety issues when there are high winds or heavy rain. This has led to complaints.

Option 2: Opening a brand new and much larger camp in Scotland with the aim of targeting families wanting outdoor activities (eg for birthday parties). A friend has told Sam of some land that is available near Edinburgh and, having asked a few local families, she thinks there is potential. She has put together some financial estimates based on this. Sam is very excited at the idea of a second camp.

Table 1: Financial extracts for AC Ltd on 31 December 2016

Item	Data
Receivables	90 days
Payables	21 days
Overdraft	£35 000
Debt	£100 000
Total long-term funds invested in the business (including debt)	£150 000
Average contribution per customer in 2016	£25
Total number of customers in 2016	8000
Fixed costs in 2016	£207 000
Interest rates on existing loan	5.5%



Figure 1: Financial data on the two options

Question 15 continues on the next page



[9 marks]

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9



[16 marks]

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Extra space



Turn over for the next question

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ANSWER IN THE SPACES PROVIDED



1 6

Richer Sounds

Richer Sounds is a highly successful hi-fi, home cinema and TV retail specialist based in the UK. It sells through its 53 stores and online. It has won several awards for its high level of sales and for its levels of customer service. Its sales are influenced by the external environment; for example, demand is said to be income elastic. Trading conditions have been difficult in recent years as consumers have been uncertain about their jobs and incomes. The increased use of digital technology in marketing and its impact on the way customers search for information and shop is a serious threat to Richer Sounds' growth. It faces competition from rivals such as Amazon and Argos who offer a much wider range of products and are investing heavily in their online operations.

Richer Sounds' mission is 'Experience Better'. Staff aim to beat its competitors by providing customers with superior:

- knowledge and expertise
- products and pricing
- customer service.

The company recruits employees based on their natural friendliness and their passion for its products. Staff are trained regularly to keep them up to date with new products. The company is committed to providing employees with secure, well-paid jobs and a stimulating working environment. Employees receive an excellent salary, good career opportunities and a number of additional benefits linked to customer satisfaction such as free massages and facials. The company's suggestion scheme offers a cash bonus of at least £5 for each idea and incentives for the best ones. It has been remarkably successful, producing on average 20 suggestions a year from each employee.

Richer Sounds has a low price strategy. If a customer finds any product cheaper elsewhere for up to seven days after purchase, Richer Sounds will charge £100 less. To enable it to pursue this approach Richer Sounds deliberately chooses 'out of the way' locations for its shops; this means its rents are lower than its competitors. It has spent nearly 40 years building relationships with suppliers, meaning it can negotiate lower prices and pass these savings on to customers.



[9 marks]

This image shows a single sheet of white paper with horizontal blue 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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1 6 . 2 To what extent do you think the level of demand for Richer Sounds' products is determined by its external environment? Justify your view.

[16 marks]



Extra Space



16

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END OF QUESTIONS

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