

**ADVANCED SUBSIDIARY GCE**  
**APPLIED BUSINESS**  
Understanding the Business Environment

**F242**

Candidates answer on the Question Paper

**OCR Supplied Materials:**

- Clean copy Case Study

**Other Materials Required:**

- Calculator

**Monday 17 May 2010**  
**Afternoon**

**Duration:** 1 hour 30 minutes



Candidate Forename		Candidate Surname	
--------------------	--	-------------------	--


Centre Number						Candidate Number				
---------------	--	--	--	--	--	------------------	--	--	--	--

**INSTRUCTIONS TO CANDIDATES**

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- Do **not** write in the bar codes.
- Write your answer to each question in the space provided. Additional paper may be used if necessary but you must clearly show your Candidate Number, Centre Number and question number(s).

**INFORMATION FOR CANDIDATES**

- The number of marks is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is **100**.
- The quality of your written communication is assessed in question(s) marked with an asterisk (\*).
- This document consists of **16** pages. Any blank pages are indicated.

 **A calculator may be used for this paper**

Answer **all** questions.

1 The building firm Taylor Wimpey tried to improve its cash-flow by trimming costs and cutting the price of its new homes.

(a) State **two** different examples of fixed and variable costs which a business could reduce in order to improve its cash-flow.

	Example 1	Example 2
Fixed costs		
Variable costs		

[4]

(b) What is the difference between fixed and variable costs?

.....

.....

.....

..... [2]

(c) Explain how a building firm such as Taylor Wimpey could improve its cash-flow by cutting the prices of its new homes.

.....

.....

.....

.....

.....

..... [3]

(d) Why it is vital for any businesses to maintain a healthy cash-flow?

.....

.....

.....

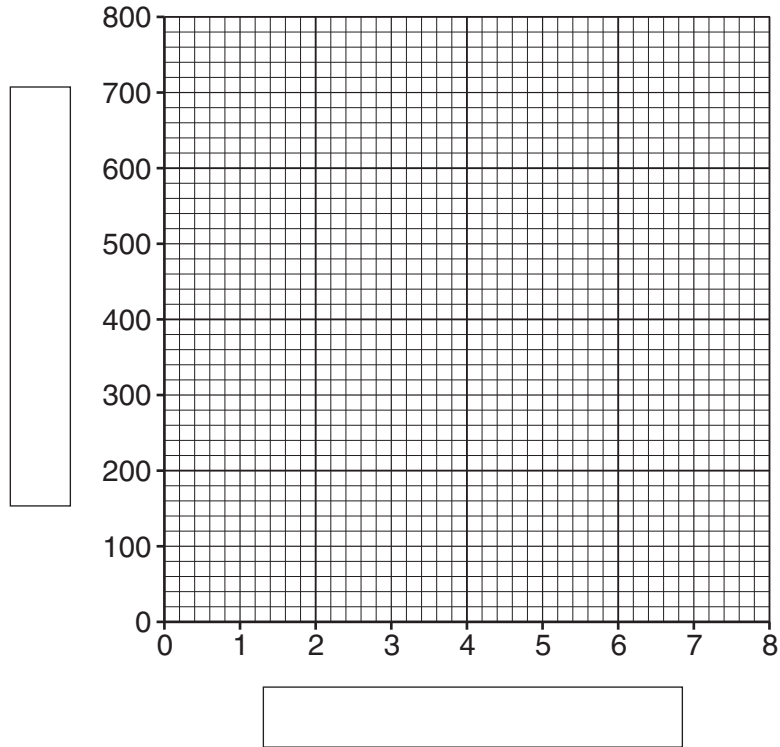
..... [2]

[Total: 11]

- 2 (a) (i) Using the information in the table below, construct and **label** a break-even chart for Becky's proposed property letting and management business if she were to 'go it alone'. [8]

Average rent per property	£650 per month
Commission charge	12% per property per month
Fixed costs	£150 per month
Variable costs	£28 per property per month

Break-even chart for Becky's proposed property letting and management business if she were to 'go it alone'



- (ii) State the break-even quantity per month.

Number of properties which need to be managed ..... [1]

- (b) Becky thinks that she would be able to manage 10 properties in a month if she were to 'go it alone'. Calculate her commission per month if she manages 10 properties.

Show your workings:

Commission £ ..... per month

- (c) Calculate the monthly profit or loss if Becky is only able to manage six properties on a 'go it alone' basis.

Show your workings:

Monthly profit/loss £ .....

[4]

[Total: 15]

3 Becky has estimated her capital budget at £2 500.

- (a) She would like to spend as close to her capital budget as possible. She feels, however, that she could tolerate a variance of + or – 5%.

Calculate the maximum and minimum figures she would be prepared to spend on capital equipment.

Show your workings:
Maximum figure £ .....
Minimum figure £ .....

[3]

- (b) Explain why businesses have to set budgets for their expenditure.

.....

.....

.....

..... [2]

- (c) What is meant by the term 'franchise'?

.....

.....

.....

..... [2]

- (d) Explain **two** advantages of being a franchisee.

Advantage 1: .....

.....

.....

.....

Advantage 2: .....

.....

.....

..... [4]

- (e) Becky is considering purchasing a franchise with a start-up cost of £12000. Other than a bank loan, identify **two** possible sources of finance to fund this start-up cost.

Possible source of finance 1: .....

Possible source of finance 2: ..... [2]

- (f) Becky can obtain a bank loan for £12000 at a cost of 6% per annum which has to be repaid over four years.

Calculate her monthly repayments.

Show your workings:

Monthly repayment £ .....

[3]

- (g)\* Discuss whether Becky should set up her proposed property letting and management business as a franchise or 'go it alone'.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....



- 4 (a) Identify **three** external stakeholder groups which would have an interest in Becky's proposed property letting and management business and state the interest which **each** group would have in her proposed business.

Group 1: .....

Interest: .....

.....

.....

.....

.....

Group 2: .....

Interest: .....

.....

.....

.....

.....

Group 3: .....

Interest: .....

.....

.....

.....

..... [6]



(b) Analyse the possible consequences to a business such as Becky’s proposed property letting and management business if it does **not** take into account the interests of stakeholder groups.

..... [9]

[Total: 15]

Turn over

- 5 (a) Explain **three** advantages of online advertising rather than local newspaper advertising to a business such as Becky’s proposed property letting and management business.

Advantage 1: .....

.....

.....

.....

.....

.....

Advantage 2: .....

.....

.....

.....

.....

.....

Advantage 3: .....

.....

.....

.....

.....

.....

..... [6]

- (b) Other than a SWOT analysis, suggest **one** other marketing tool which Becky could use to analyse her proposed property letting and management business and the environment in which it would operate.

.....

..... [1]







.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

..... [12]

15  
BLANK PAGE

PLEASE DO NOT WRITE ON THIS PAGE

**PLEASE DO NOT WRITE ON THIS PAGE**



**Copyright Information**

OCR is committed to seeking permission to reproduce all third-party content that it uses in its assessment materials. OCR has attempted to identify and contact all copyright holders whose work is used in this paper. To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced in the OCR Copyright Acknowledgements Booklet. This is produced for each series of examinations, is given to all schools that receive assessment material and is freely available to download from our public website ([www.ocr.org.uk](http://www.ocr.org.uk)) after the live examination series.

If OCR has unwittingly failed to correctly acknowledge or clear any third-party content in this assessment material, OCR will be happy to correct its mistake at the earliest possible opportunity.

For queries or further information please contact the Copyright Team, First Floor, 9 Hills Road, Cambridge CB2 1GE.

OCR is part of the Cambridge Assessment Group; Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.