

<b>Candidate forename</b>		<b>Candidate surname</b>	
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<b>Centre number</b>						<b>Candidate number</b>				
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**OXFORD CAMBRIDGE AND RSA EXAMINATIONS  
ADVANCED SUBSIDIARY GCE**

**F242**

**APPLIED BUSINESS**

**Understanding the Business Environment**

**TUESDAY 11 JANUARY 2011: Morning**

**DURATION: 1 hour 30 minutes**

**SUITABLE FOR VISUALLY IMPAIRED CANDIDATES**

**Candidates answer on the question paper.**

**OCR SUPPLIED MATERIALS:**

**Clean copy case study**

**OTHER MATERIALS REQUIRED:**

**A calculator may be used**

**READ INSTRUCTIONS OVERLEAF**

## **INSTRUCTIONS TO CANDIDATES**

- **Write your name, centre number and candidate number in the boxes on the first page. Please write clearly and in capital letters.**
- **Use black ink. Pencil may be used for graphs and diagrams only.**
- **Read each question carefully. Make sure you know what you have to do before starting your answer.**
- **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).**
- **Answer ALL the questions.**

## **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.**
- **Your quality of written communication is assessed in the question marked with an asterisk (\*).**

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- 1 To help in his decision-making process, Jeremy has started to prepare the cash-flow forecast on the next page for the proposed expansion of Food 4 Thought Ltd (F4T).**
  - (a) Using the information provided in the box on the next page, complete the 7 boxes with double border lines in the cash-flow forecast for F4T. [7]**

**Average cost of stock = 1/3 of sales revenue**

### Cash-flow forecast for F4T proposed expansion

	January 2011	February 2011	March 2011	April 2011
<b>CASH INFLOW</b>				
Sales revenue		15 900	15 990	21 000
<b>TOTAL CASH INFLOW</b>	15 000	15 900	15 990	21 000
<b>CASH OUTFLOW</b>				
Mortgage repayments	1 500	1 500	1 500	1 500
Building costs	30 000	10 000	10 000	5 150
Website development	1 500	0	0	0
Computer hardware/ software	0	0	2 500	0
Tills	0	0	0	150
Stock	5 000	5 300		7 000
Wages	1 100	1 100	1 100	3 400
Salaries	2 000	2 000	2 000	2 000
Insurance	400	400	400	800
Overheads	800	800	800	1 500
<b>TOTAL CASH OUTFLOW</b>	42 300	21 100	23 630	
<b>NET CASH-FLOW</b>	-27 300	-5 200		-500
<b>OPENING BALANCE</b>	10 000		-22 500	-30 140
<b>CLOSING BALANCE</b>		-22 500	-30 140	

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**2 (a) State TWO types of budgeting. For each type of budgeting, state ONE advantage and ONE disadvantage. [6]**

**Type 1:** \_\_\_\_\_

**Advantage:** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Disadvantage:** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Type 2:** \_\_\_\_\_

**Advantage:** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Disadvantage:** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**(b) The budgeted figures in the table on the next page are extracted from the cash-flow forecast in Question 1(a).**

**Complete the 10 boxes with double border lines in the table on the next page. [10]**

**Show your workings:**

Item	Budget figure (£)	Actual figure (£)	Variance		
			(£)	Percentage (%)	Favourable/ Adverse
<b>CASH INFLOW</b>					
<b>Sales (April 2011)</b>	<b>21 000</b>	<b>17 850</b>			
<b>CASH OUTFLOW</b>					
<b>Website development (January 2011)</b>	<b>1 500</b>	<b>2 000</b>			
<b>Computer hardware/ software (March 2011)</b>	<b>2 500</b>			<b>5</b>	<b>Favourable</b>
<b>Mortgage repayment (Monthly)</b>	<b>1 500</b>			<b>4</b>	<b>Adverse</b>

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**(c) Identify ONE possible reason for an increase in F4T's mortgage repayment. Explain the likely impact it may have on Jeremy's expansion plan. [3]**

**Reason:** \_\_\_\_\_

**Impact:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**[Total: 19]**

- 3 (a) Other than providing an online shopping service, identify **THREE OTHER** examples of business activities which Jeremy could computerise in the running of F4T. [3]

Example 1: \_\_\_\_\_

\_\_\_\_\_

Example 2: \_\_\_\_\_

\_\_\_\_\_

Example 3: \_\_\_\_\_

\_\_\_\_\_

- (b) According to Jeremy's calculations, the monthly costs of running an online shopping service are as follows:

running/maintenance of website .....	£ 500
premises .....	£ 200
wages .....	£2000
overheads .....	£ 80
average sales revenue per transaction.....	£ 60

The cost of sales is one third of sales revenue.

Calculate the number of transactions F4T needs to break-even each month. [4]

**Show your workings:**

**Break-even = \_\_\_\_\_ transactions per month**

**(c) Calculate the break-even sales revenue. [2]**

**Show your workings:**

**Break-even sales revenue per month = £ \_\_\_\_\_**

**(d)\* Quality of written communication will be taken into account.**

**Using your results from the break-even analyses carried out in PARTS (b) AND (c), recommend whether or not F4T should provide an online shopping service. Justify your answer. [12]**

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**4 (a) Identify THREE possible disadvantages of becoming a FRANCHISEE. [3]**

**Disadvantage 1:** \_\_\_\_\_

\_\_\_\_\_

**Disadvantage 2:** \_\_\_\_\_

\_\_\_\_\_

**Disadvantage 3:** \_\_\_\_\_

\_\_\_\_\_

**(b) Identify THREE possible advantages of becoming a FRANCHISOR. [3]**

**Advantage 1:** \_\_\_\_\_

\_\_\_\_\_

**Advantage 2:** \_\_\_\_\_

\_\_\_\_\_

**Advantage 3:** \_\_\_\_\_

\_\_\_\_\_





**5 (a) State TWO EXTERNAL stakeholder groups with an interest in F4T. [2]**

**External stakeholder group 1:**

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**External stakeholder group 2:**

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**(b) For each of the stakeholder groups identified in PART (a), explain ONE way in which each group could influence Jeremy's expansion plan for F4T. [4]**

**Stakeholder group 1:** \_\_\_\_\_

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**Stakeholder group 2:** \_\_\_\_\_

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**[Total: 6]**





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**[Total: 16]**

**7 (a) Give ONE difference between laws and ethics. [1]**

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**(b) Give ONE example of how Jeremy could ensure that F4T meets its legal obligations. [1]**

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**(c) Identify and explain ONE BENEFIT to F4T of acting in an ethical manner. [2]**

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**[Total: 4]**

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