

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:

- A calculator may be used

Tuesday 11 January 2011
Morning

Duration: 1 hour 30 minutes



Candidate forename		Candidate surname	
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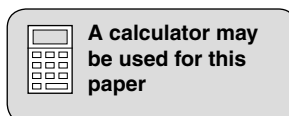
Centre number							Candidate number				
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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. 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.
- Do **not** write in the bar codes.

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 the question marked with an asterisk (*).
- This document consists of **16** pages. Any blank pages are indicated.



- 1 To help in his decision-making process, Jeremy has started to prepare the following cash-flow forecast for the proposed expansion of Food 4 Thought Ltd (*F4T*).

- (a) Using the information provided in the box below, complete the un-shaded boxes of the cash-flow forecast for *F4T*.

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

Cash-flow forecast for *F4T* proposed expansion

	January 2011	February 2011	March 2011	April 2011
Cash Inflow				
Sales revenue		15 900	15 990	21 000
Total Cash Inflow	15 000	15 900	15 990	21 000
Cash Outflow				
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
Total Cash Outflow	42 300	21 100	23 630	
Net Cash-flow	-27 300	-5 200		-500
Opening Balance	10 000		-22 500	-30 140
Closing Balance		-22 500	-30 140	

[7]

2 (a) State **two** types of budgeting. For each type of budgeting, state **one** advantage and **one** disadvantage.

Type 1:

Advantage:

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Disadvantage:

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Type 2:

Advantage:

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Disadvantage:

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..... [6]

(b) The budgeted figure below is extracted from the cash-flow forecast in **Question 1(a)**.

Complete the un-shaded boxes within the table below.

[10]

Item	Budget figure (£)	Actual figure (£)	Variance		
			(£)	Percentage (%)	Favourable/ Adverse
Cash Inflow					
Sales (April 2011)	21 000	17 850			
Cash Outflow					
Website development (January 2011)	1 500	2 000			
Computer hardware/ software (March 2011)	2 500			5	Favourable
Mortgage repayment (Monthly)	1 500			4	Adverse

Show your workings:

(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.

Reason:

Impact:

.....

.....

.....

.....

..... [3]

[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*.

Example 1:

.....

Example 2:

.....

Example 3:

..... [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.

Show your workings:

Break-even = transactions per month

[4]

(c) Calculate the break-even sales revenue.

Show your workings:

Break-even sales revenue per month = £

[2]

(d)* 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.

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4 (a) Identify **three** possible disadvantages of becoming a **franchisee**.

Disadvantage 1:

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Disadvantage 2:

.....

Disadvantage 3:

..... [3]

(b) Identify **three** possible advantages of becoming a **franchisor**.

Advantage 1:

.....

Advantage 2:

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Advantage 3:

..... [3]

(c) Analyse the benefits and drawbacks to Jeremy of floating *F4T* on the Stock Exchange.

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5 (a) State **two external** stakeholder groups with an interest in *F4T*.

External stakeholder group 1:

External stakeholder group 2: [2]

(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*.

Stakeholder group 1:

.....

.....

Stakeholder group 2:

.....

..... [4]

[Total: 6]

7 (a) Give **one** difference between laws and ethics.

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..... [1]

(b) Give **one** example of how Jeremy could ensure that *F4T* meets its legal obligations.

.....
..... [1]

(c) Identify and explain **one benefit** to *F4T* of acting in an ethical manner.

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..... [2]

[Total: 4]

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