

Candidate forename						Candidate surname					
Centre number						Candidate number					

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**  
**ADVANCED SUBSIDIARY GCE**  
**F242**  
**APPLIED BUSINESS**

**Understanding the Business Environment**

**MONDAY 16 MAY 2011: Afternoon**

**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:**

**Calculator**

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

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

- 1 The costs of producing and selling the funky indicator gloves initially are as follows:

Rent including storage.....£	400	per month
Wages .....	£ 1 000	per month
Textiles for gloves .....	£ 2	per pair
Overheads .....	£ 100	per month
Lights and batteries .....	£ 2	per pair
Packaging.....£	0.10	per pair
Office expenses .....	£ 60	per month

- (a) (i) What is meant by a fixed cost?

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What is meant by a variable cost?

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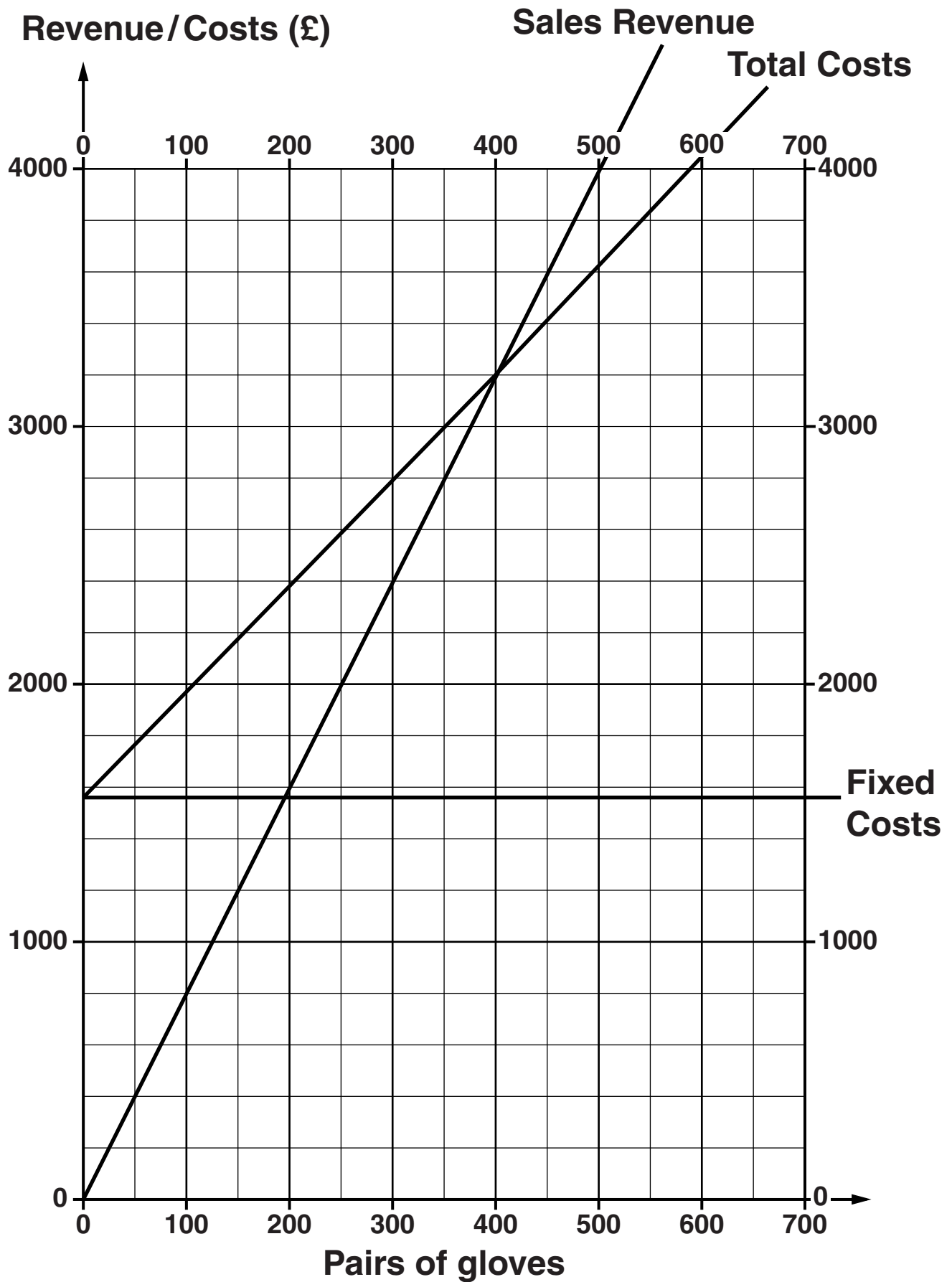
[2]

- (ii) Identify TWO fixed costs and TWO variable costs from the list above.

Fixed costs	Variable costs
1.	1.
2.	2.

[4]

(b) A break-even chart has been drawn up for the production of funky indicator gloves as shown below.



**(i) What is meant by the term 'break-even'?**

\_\_\_\_\_  
\_\_\_\_\_ [1]

**(ii) From the break-even chart opposite, identify the number of pairs of gloves needed to break-even.**

**Break-even = \_\_\_\_\_ pairs of gloves [1]**

**(iii) If 500 pairs of gloves were sold, calculate the margin of safety.**

**Show your workings:**

**Margin of safety = \_\_\_\_\_**

**[2]**

**(iv) From the break-even chart opposite, calculate the selling price of each pair of gloves.**

**Show your workings:**

**Selling price £ \_\_\_\_\_ for each pair of gloves**

**[2]**

[illegible]



- 2 (a) Explain why zero-based budgeting is a more suitable method for Charlie to use than the historic budgeting method.**

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**[2]**

- (b) Identify and explain TWO factors which could affect the accuracy of Charlie's sales budget.**

**Factor 1:** \_\_\_\_\_

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**Factor 2:** \_\_\_\_\_

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**[4]**



- (c) In order to help Charlie understand the importance of budgeting, Dom shows her some figures from 'ECO Textiles Ltd'. Calculate the variance for wages and sales.

Item	Budget figure (£)	Actual figure (£)	Variance	
			Percentage (%)	Favourable/ Adverse
Wages	500 000	520 000		
Sales	900 000	950 000		

[4]

[Total: 10]

- 3 Dom will provide Charlie with the capital required to set up Bike Angels. This amount will be £2 000 more than the total cash outflow in July.**
- (a) (i) Enter the amount which Dom will provide into the appropriate unshaded box within the cash-flow forecast opposite. [1]**
- (ii) Complete the six unfilled boxes with double border lines in the cash-flow forecast opposite for Bike Angels. [5]**

## CASH-FLOW FORECAST FOR JULY – OCTOBER 2011

<b>All figures in £</b>	<b>July 2011</b>	<b>Aug 2011</b>	<b>Sept 2011</b>	<b>Oct 2011</b>
<b>Cash Inflow</b>				
<b>Sales revenue</b>	<b>0</b>	<b>2 400</b>	<b>3 200</b>	<b>4 000</b>
<b>Funds from Dom</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Cash Inflow</b>		<b>2 400</b>	<b>3 200</b>	<b>4 000</b>
<b>Cash Outflow</b>				
<b>Rent</b>	<b>0</b>	<b>400</b>	<b>400</b>	<b>400</b>
<b>Website</b>	<b>1 500</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>ICT hardware/ software</b>	<b>2 300</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Stock</b>	<b>0</b>	<b>1 230</b>	<b>1 640</b>	<b>2 050</b>
<b>Wages</b>	<b>0</b>	<b>1 000</b>	<b>1 000</b>	<b>1 000</b>
<b>Office expenses</b>	<b>0</b>	<b>60</b>	<b>60</b>	<b>60</b>
<b>Overheads</b>	<b>0</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>ICT training</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Tools and machinery</b>	<b>1 700</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Cash Outflow</b>	<b>6 000</b>	<b>2 790</b>		<b>3 610</b>
<b>Net Cash Flow</b>	<b>2 000</b>		<b>0</b>	<b>390</b>
<b>Opening Balance</b>	<b>0</b>	<b>2 000</b>	<b>1 610</b>	
<b>Closing Balance</b>		<b>1 610</b>	<b>1 610</b>	<b>2 000</b>

- (b) Other than family and friends, identify ONE external source of finance available to Charlie for setting up Bike Angels. State ONE advantage and ONE disadvantage of this source of finance.**

**External source:** \_\_\_\_\_

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

\_\_\_\_\_

\_\_\_\_\_

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

\_\_\_\_\_

\_\_\_\_\_ [3]

**[Total: 9]**

4 (a) Identify and explain ONE DIFFERENT factor for each element of SLEPT which might affect the success of Bike Angels.

<b>S</b>	<hr/> <hr/> <hr/>
<b>L</b>	<hr/> <hr/> <hr/>
<b>E</b>	<hr/> <hr/> <hr/>
<b>P</b>	<hr/> <hr/> <hr/>
<b>T</b>	<hr/> <hr/> <hr/>

[10]

**(b) Explain TWO benefits to Charlie of carrying out a SLEPT analysis on Bike Angels.**

**Benefit 1:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Benefit 2:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ **[4]**

**[Total: 14]**

**5\* Quality of written communication will be taken into account.**

**There is a possibility of producing a pair of funky indicator gloves which will only last as long as the batteries (approximately three months depending on use) which would be cheaper to manufacture than funky indicator gloves with renewable batteries.**

**Recommend which type of gloves Charlie should produce. Justify your answer.**

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[illegible]



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[12]

[Total: 12]

**6 (a) Outline ONE possible objective of a registered charity.**

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[2]

**(b) Explain ONE difference between a business aim and a business objective.**

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[2]

**(c) Evaluate whether or not Bike Angels should be established as a registered charity.**

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[illegible]

**[Total: 16]**

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IT software	Use
<b>Spreadsheet</b>	<p><b>Way 1:</b> _____</p> <p>_____</p> <p>_____</p> <p><b>Way 2:</b> _____</p> <p>_____</p> <p>_____</p>
<b>Database</b>	<p><b>Way 1:</b> _____</p> <p>_____</p> <p>_____</p> <p><b>Way 2:</b> _____</p> <p>_____</p> <p>_____</p>
<b>Wordprocessor</b>	<p><b>Way 1:</b> _____</p> <p>_____</p> <p>_____</p> <p><b>Way 2:</b> _____</p> <p>_____</p> <p>_____</p>

[illegible]

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[9]

**[Total: 15]**

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