

**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 16 May 2011**  
**Afternoon**

**Duration: 1 hour 30 minutes**



Candidate forename		Candidate surname	
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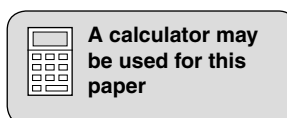
Centre number						Candidate number				
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**INSTRUCTIONS TO CANDIDATES**

- 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 **20** pages. Any blank pages are indicated.



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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 .....

.....

a variable cost .....

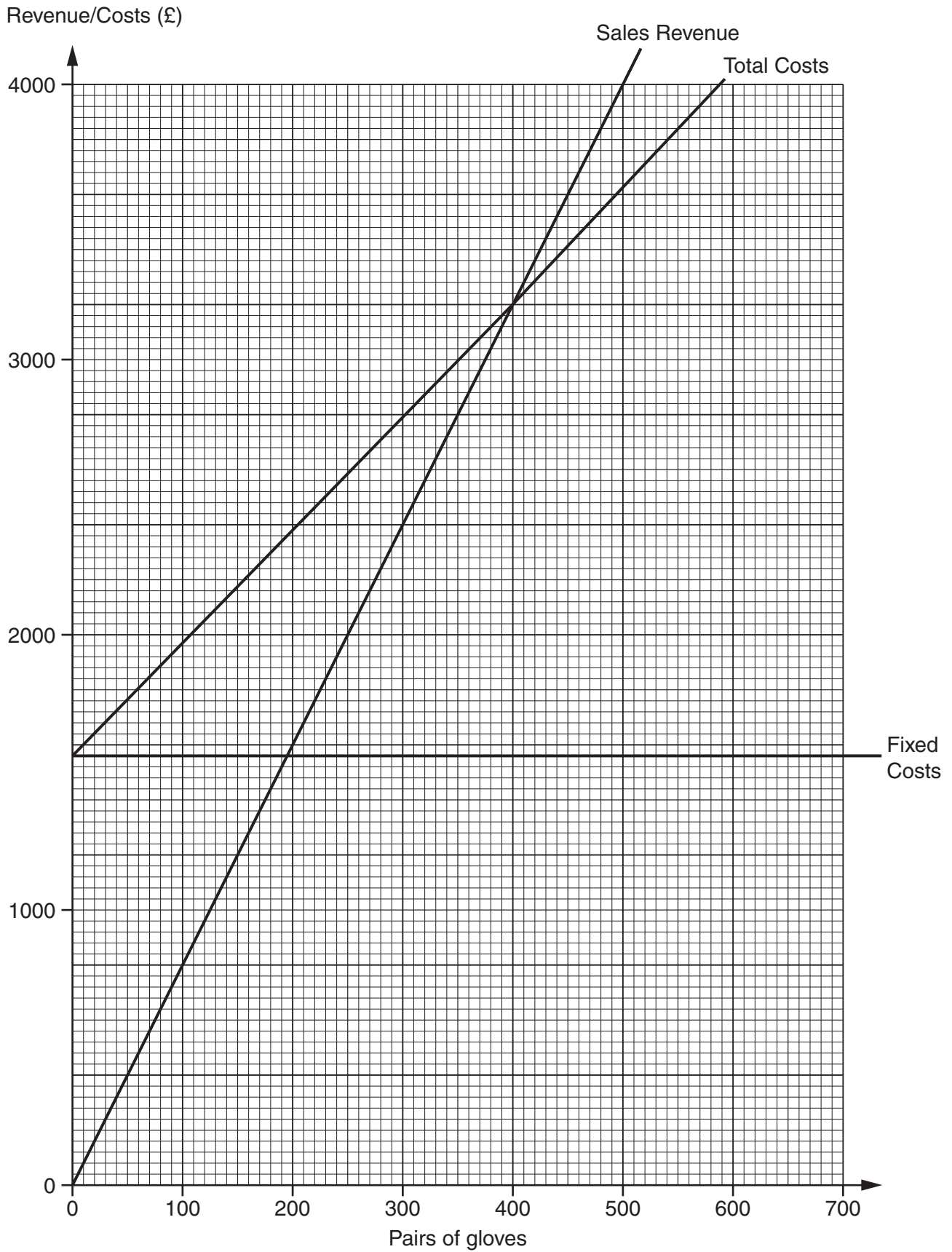
..... [2]

(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, 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, calculate the selling price of each pair of gloves.

Show your workings:

Selling price £ ..... for each pair of gloves

[2]





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

.....

.....

.....

..... [2]

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

Factor 1: .....

.....

.....

.....

Factor 2: .....

.....

.....

..... [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 below. [1]
- (ii) Complete the remaining unshaded boxes of the cash-flow forecast for Bike Angels. [5]

**Cash-flow forecast for July – October 2011**

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

(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.

S	..... ..... .....
L	..... ..... .....
E	..... ..... .....
P	..... ..... .....
T	..... ..... .....

[10]

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

Benefit 1: .....  
.....  
.....  
.....

Benefit 2: .....  
.....  
.....  
..... [4]

[Total: 14]











7 (a) Identify **two** different ways in which each type of IT software could be used in an organisation such as Bike Angels.

IT software	Use
Spreadsheet	Way 1: ..... ..... Way 2: ..... .....
Database	Way 1: ..... ..... Way 2: ..... .....
Wordprocessor	Way 1: ..... ..... Way 2: ..... .....

[6]

(b) Analyse the advantages and disadvantages to Charlie of introducing IT into the running of Bike Angels.

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