

**Monday 14 May 2012 – Afternoon**

**AS GCE APPLIED BUSINESS**

**F242/01** Understanding the Business Environment

Candidates answer on the Question Paper.

**OCR supplied materials:**

- Clean copy Case Study

**Other materials required:**

- Calculator

**Duration:** 1 hour 30 minutes



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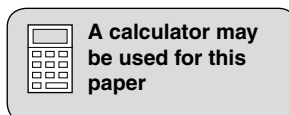
Centre number							Candidate number				
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**INSTRUCTIONS TO CANDIDATES**

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. HB pencil may be used for graphs and diagrams only.
- Answer **all** the questions.
- 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).
- 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**.
- Your Quality of Written Communication will be assessed in questions marked with an asterisk (\*).
- This document consists of **16** pages. Any blank pages are indicated.



- 1 (a) Nina is allocating a substantial budget to IT in *OrganicCherubs.com's* new factory in Mumbai.

Identify and explain **two** methods through which IT could help Nina communicate effectively with *OrganicCherubs.com's* employees in Mumbai.

Method 1: .....

Explanation: .....

.....

.....

Method 2: .....

Explanation: .....

.....

..... [4]

- (b) Besides allocating a budget of £100 000 for capital investment in IT hardware and software, identify **four** other related costs which Nina needs to consider when introducing the use of IT to *OrganicCherubs.com's* new factory in Mumbai.

Item 1: .....

Item 2: .....

Item 3: .....

Item 4: ..... [4]

- 2 (a) Identify and explain **two** external influences which could have an impact on the accuracy of *OrganicCherubs.com's* budgets.

External influence 1: .....

Explanation: .....

.....

.....

External influence 2: .....

Explanation: .....

.....

..... [4]





- 3 (a) Identify **two** reasons why a business such as *OrganicCherubs.com* should carry out variance analysis.

Reason 1: .....

.....

Reason 2: .....

..... [2]

- (b) Sterling (GBP) has weakened against the Indian rupee. Sterling is now worth 10% less than it was when Nina worked out the original budgets for the new factory in Mumbai.

Given that the cost of the factory (25 000 square metres) was £16 per square metre, calculate the original budget for the factory, the new budget and the variance. State whether the variance is adverse or favourable. Show your workings. [4]

Original budget (£)	New budget (£)	Variance (£)	Adverse/favourable

[Total: 6]





5 (a) What is meant by the term 'break-even'?

.....

.....

.....

..... [2]

(b) The costs of running *OrganicCherubs.com*'s new factory in Mumbai per month are as follows:

Loan repayment	£ 5 000
Wages and salaries	£90 000
Insurance	£ 400
Maintenance	£ 200
Heating and lighting	£ 180
Raw materials	£2 per nappy

Calculate the break-even quantity if the average selling price per nappy is £4.

Show your working:

Break-even quantity = ..... nappies per month

[3]

(c) Calculate the profit which *OrganicCherubs.com* should make in the first month if it sells 50 000 nappies.

Show your working:

Profit = £ .....

[3]



(d) Identify and explain **two** ways in which a business such as *OrganicCherubs.com* could lower its break-even quantity.

Way 1: .....

Explanation: .....

.....

.....

Way 2: .....

Explanation: .....

.....

..... [4]

[Total: 12]

- 6 (a) Identify and explain **two** reasons why a business such as *OrganicCherubs.com* should draw up a cash-flow forecast before setting up a new venture such as the new factory in Mumbai.

Reason 1: .....

Explanation: .....

.....

.....

Reason 2: .....

Explanation: .....

.....

..... [4]

- (b) Using the information below, complete the unshaded boxes in the cash-flow forecast which follows for the new factory in Mumbai if the estimated sales for the first month of operation are 50 000 nappies and the production rate is scheduled at 80 000 nappies. [6]

Loan repayment	£ 5 000
Wages and salaries	£90 000
Insurance	£ 400
Maintenance	£ 200
Heating and lighting	£ 180
Raw materials	£2 per nappy
Average selling price	£4 per nappy

<b>Cash inflow</b>	
Sales	
<b>Total inflow</b>	
<b>Cash outflow</b>	
Loan repayment	
Wages and salaries	
Insurance	
Maintenance	
Heating and lighting	
Raw materials	
<b>Total outflow</b>	
<b>Net cash-flow</b>	
<b>Opening balance</b>	-15 000
<b>Closing balance</b>	

[Total: 10]

7 Analyse the likely benefits to *OrganicCherubs.com* of completing a SWOT analysis before deciding to set up the new factory in Mumbai.

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..... [9]

- 8 (a) 'It is a constant balancing act between maximising the return for shareholders and looking after the ethical interests of other stakeholders of the business'.

Explain the meaning of this statement.

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.....  
.....  
..... [2]

- (b) Identify and explain **two** ways in which a business such as *OrganicCherubs.com* could maintain a high ethical standard as an employer.

Way 1: .....

Explanation: .....

.....  
.....

Way 2: .....

Explanation: .....

.....  
..... [4]

- (c) Identify and explain **two** benefits to a business such as *OrganicCherubs.com* of maintaining a high ethical standard.

Benefit 1: .....

Explanation: .....

.....  
.....

Benefit 2: .....

Explanation: .....

.....  
..... [4]





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