

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS/A level

1601/01

APPLIED BUSINESS – ABUS1

Paper version of on-screen assessment

P.M. MONDAY, 19 May 2014

2 hours

For Examiner's use only		
Section	Maximum Mark	Mark Awarded
A	20	
B	80	
Total	100	

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INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** questions in Section A and Section B.

Section A 20 marks Short-answer questions based on *LoudSound Media Holdings Limited (LMH)*.

Section B 80 marks Short-answer and extended-answer questions based on *LoudSound Media Holdings Limited*.

INFORMATION FOR CANDIDATES

Quality of Written Communication will be assessed in the responses to questions **9(b)** and **13** in Section B.

Electronic calculators may be used.

SECTION A

Answer **all** questions in this section.



Welcome to your work experience at LMH. I'm Karine Osborne, one of the HR staff. The full business name is LoudSound Media Holdings Limited, a commercial radio group that owns four radio stations that broadcast from three locations in this region. LMH employs 20 freelance radio presenters who are self-employed, over 100 full-time staff, and about 30 part-time or temporary employees. Most of our revenue comes from selling airtime to businesses advertising on our radio stations. Radio West is where you'll be based. It broadcasts on FM and Medium Wave to about 750,000 people in our region. We are also online.

1. The word "Limited" in *LoudSound Media Holdings Limited*

- A confirms that *LMH* is in the public sector of the economy
- B informs all traders with *LMH* that it has limited liability
- C tells *LMH* employees that it will only operate for a limited time
- D lets the public know that *LMH* has limited broadcasting powers.

Which of the above statements is correct: **A**, **B**, **C** or **D**?

Answer

[1]

2. The non-current assets (fixed assets) of *LMH*

- A are likely to be depreciated (written down in value)
- B must be listed in the company's cash flow statements
- C form part of the company's total working capital
- D will include both printers and paper for these printers.

Which of the above statements is correct: **A**, **B**, **C** or **D**?

Answer

[1]

3. The cost of sales figure for *LMH* is shown in its

- A balance sheet
- B cash flow statement
- C income statement (profit and loss)
- D long-term liabilities.

Which of the above statements is correct: **A, B, C** or **D**?

Answer

[1]

4. The directors of *LMH* could use break-even analysis to show the

- A totals of its sales and purchases budgets
- B relationship between its costs and output
- C rate of its inventory (stock) turnover
- D amounts of its cash inflows and outflows.

Which of the above statements is correct: **A, B, C** or **D**?

Answer

[1]

5. *LMH*'s radio stations run competitions where listeners dial a freephone number and try to win prizes. This is an example of the radio stations

- A controlling costs
- B selling advertising
- C improving cash flow
- D being enterprising.

Which of the above statements is correct: **A, B, C** or **D**?

Answer

[1]

6. For each cost underlined below, tick **one** box to show whether it is more likely to be fixed or variable for *LMH* and its radio stations. [3]

Business rates, paid on the company's various premises.

Administrative employees who receive annual salaries.

Commission paid to sales staff for every advertising minute they sell.

Travel costs of sales staff visiting businesses that advertise on the radio.

Food sold to employees who use the company's restaurants.

Yearly broadcasting licence fees that are paid to the government.

Fixed	Variable

7. Below is the contents page from the business plan of *LMH*.

Contents	
Section 1.	Executive Summary
Section 2.	History of <i>LMH Ltd</i>
Section 3.	Business objectives for <i>LMH</i>
Section 4.	Services offered, and the market for these services
Section 5.	Financial information

Use the information in the contents page of the business plan to answer the following questions.

(a) Outline the purpose of **Section 1**. [2]

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(b) Name **two** items of information likely to be included in **Section 2**. [2]

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(c) State **two** appropriate sources for the information in **Section 5**. [2]

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- 8. (a) Each of the four radio stations has its own website. The following statements are from the *Radio West* website.

Our programmes connect with our listeners because we play music to get you up in the morning, entertain you in the day and help you relax in the evening.

Our playlist contains songs from the 60s to today's best music.

Our friendly presenters broadcast local content that relates to your lives.

We get involved with what's happening in your area.

Explain why these statements are **not** business objectives for *Radio West*. [2]

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- (b) People pay a fee to advertise their business on radio stations such as *Radio West*. The amount they pay depends on the length of an advertisement, and on the time when it will be broadcast. *LMH* has business objectives based on selling advertising airtime to businesses.

How might **these** business objectives be monitored using:

- qualitative methods; [2]

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- quantitative methods? [2]

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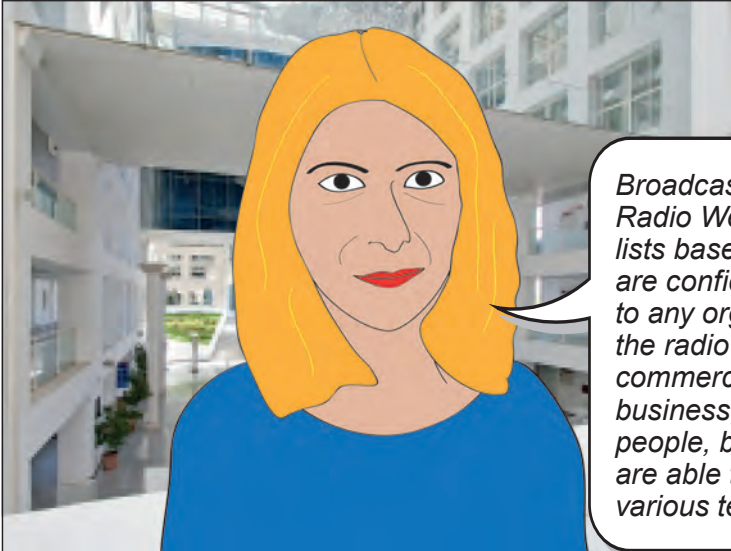
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END OF SECTION A

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SECTION B

Answer all questions in this section.



Broadcasting to listeners is our main role at Radio West. We keep mailing and phone lists based on our listeners, but these lists are confidential and so we don't give them to any organisation not directly linked to the radio station and its activities. Because commercial radio is a highly competitive business, we make sure that our own people, both directors and employees, are able to work together effectively in our various teams.

1. Name an organisation you have studied that does **not** provide broadcasting services similar to those of *LMH* and its radio stations, and describe briefly what it does. You will use this organisation to answer questions **2** and **3**. [1]

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2. (a) Explain the importance of confidentiality to **your chosen organisation**. [4]

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(b) Outline how the use of **one** item of business software can help your chosen organisation to maintain confidentiality. [2]

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3. Because commercial radio is a highly competitive business, *LMH* directors and employees must be “able to work together effectively in our various teams”.

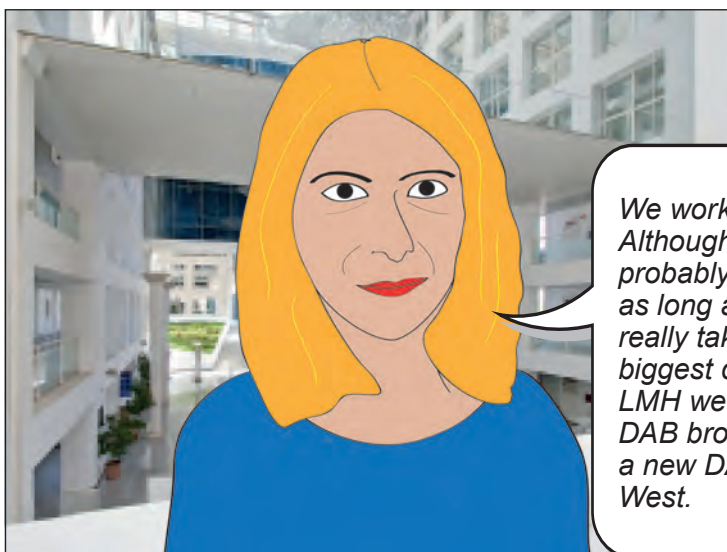
(a) Describe **two other** entrepreneurial skills or attributes that the **directors** of *LMH* need to have for the business to compete effectively. [4]

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(b) To what extent are the entrepreneurial skills or attributes in (a) above important to **your chosen organisation**? [4]

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We work in a fast-changing industry. Although digital audio broadcasting – you probably know it as DAB – started in the UK as long ago as 1995, in recent years it has really taken off. The UK now has the world’s biggest digital radio network, and here at LMH we need to keep up with the growth in DAB broadcasting, so we’ve recently set up a new DAB-only radio station called DAB West.

4. How is the decision to set up *DAB West* likely to have affected Karine’s work as the Human Resources Manager? [3]

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5. The directors of *LMH* have decided that the production of entertaining radio programmes for the new *DAB West* station must, at present, take priority over selling advertising airtime for this new station.

(a) Analyse likely reasons why the directors have taken this decision. [4]

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(b) Suggest why the directors will need to review this decision in the future. [2]

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6. To help make the new DAB-only station a success, the directors of *LMH* decided to set up quality circles.

(a) What is meant by 'quality circles'? [2]

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(b) Describe **two** benefits to *LMH* of setting up quality circles in **this** situation. [4]

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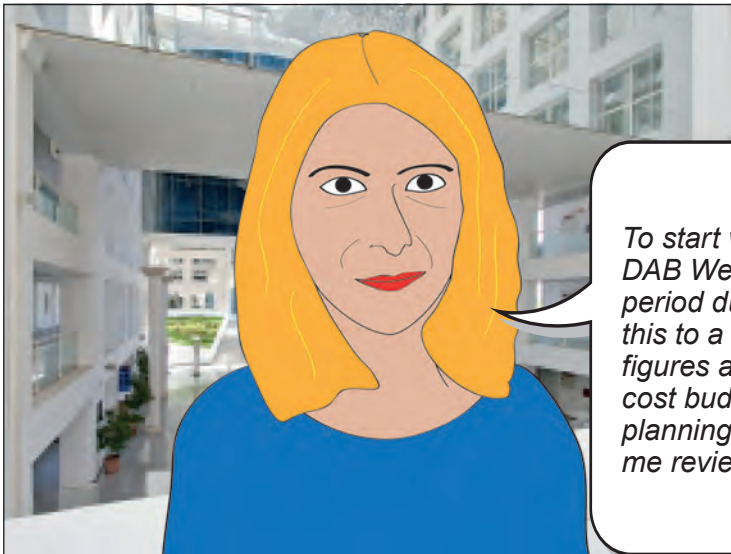
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To start with, our new DAB-only radio station DAB West is broadcasting for a 12-hour period during the day. We hope to extend this to a full 24-hour service, if listening figures are good. We've created revenue and cost budgets to help us with our financial planning for DAB West. I'd like you to help me review one of these budgets.

7. State **two** reasons why it is helpful for *LMH* to budget its costs and revenues. [2]

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8. Describe how *DAB West* is likely to have calculated its revenue (income) budget. [3]

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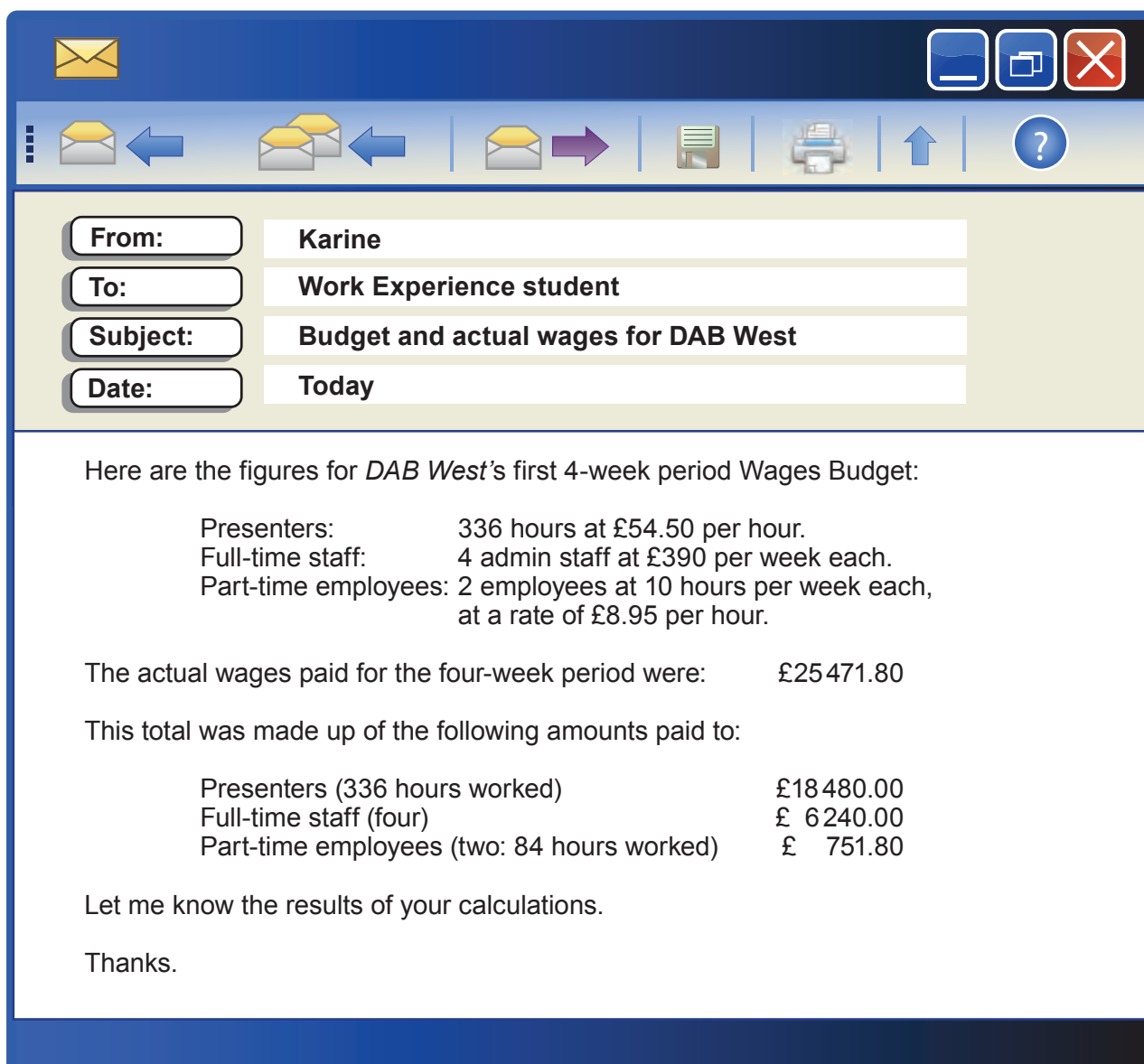
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9. Karine has sent you the email shown below.



From: Karine

To: Work Experience student

Subject: Budget and actual wages for DAB West

Date: Today

Here are the figures for *DAB West's* first 4-week period Wages Budget:

Presenters: 336 hours at £54.50 per hour.
 Full-time staff: 4 admin staff at £390 per week each.
 Part-time employees: 2 employees at 10 hours per week each,
 at a rate of £8.95 per hour.

The actual wages paid for the four-week period were: £25 471.80

This total was made up of the following amounts paid to:

Presenters (336 hours worked)	£18 480.00
Full-time staff (four)	£ 6 240.00
Part-time employees (two: 84 hours worked)	£ 751.80

Let me know the results of your calculations.

Thanks.

(a) Using the information from the email above, calculate for Karine the overall variance for wages in the table below. [5]

	Wages
Budget: presenters (£)	
Budget: full-time (£)	
Budget: part-time (£)	
Actual total (£)	
Variance (£)	
Favourable or adverse	

(b) Using the information from the email and the results of your calculations, analyse the variances for: [9]

- Presenters
- Full-time staff
- Part-time employees

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10. Explain how **two** changes in the external environment could affect the setting of future wages and other budgets for *LMH*. [6]

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Since setting up our new station DAB West, we've discovered that we will need extra digital equipment. Our directors have decided to take out some short-term finance to pay for this. Before we do so, however, I've been asked to prepare a cash flow forecast so the directors can review the company's liquidity. Perhaps you can help me here?

11. The directors of *LMH* will use an external short-term source of finance to pay for the digital equipment.

Suggest, with a reason, **one** suitable source of external short-term finance for this equipment. [3]

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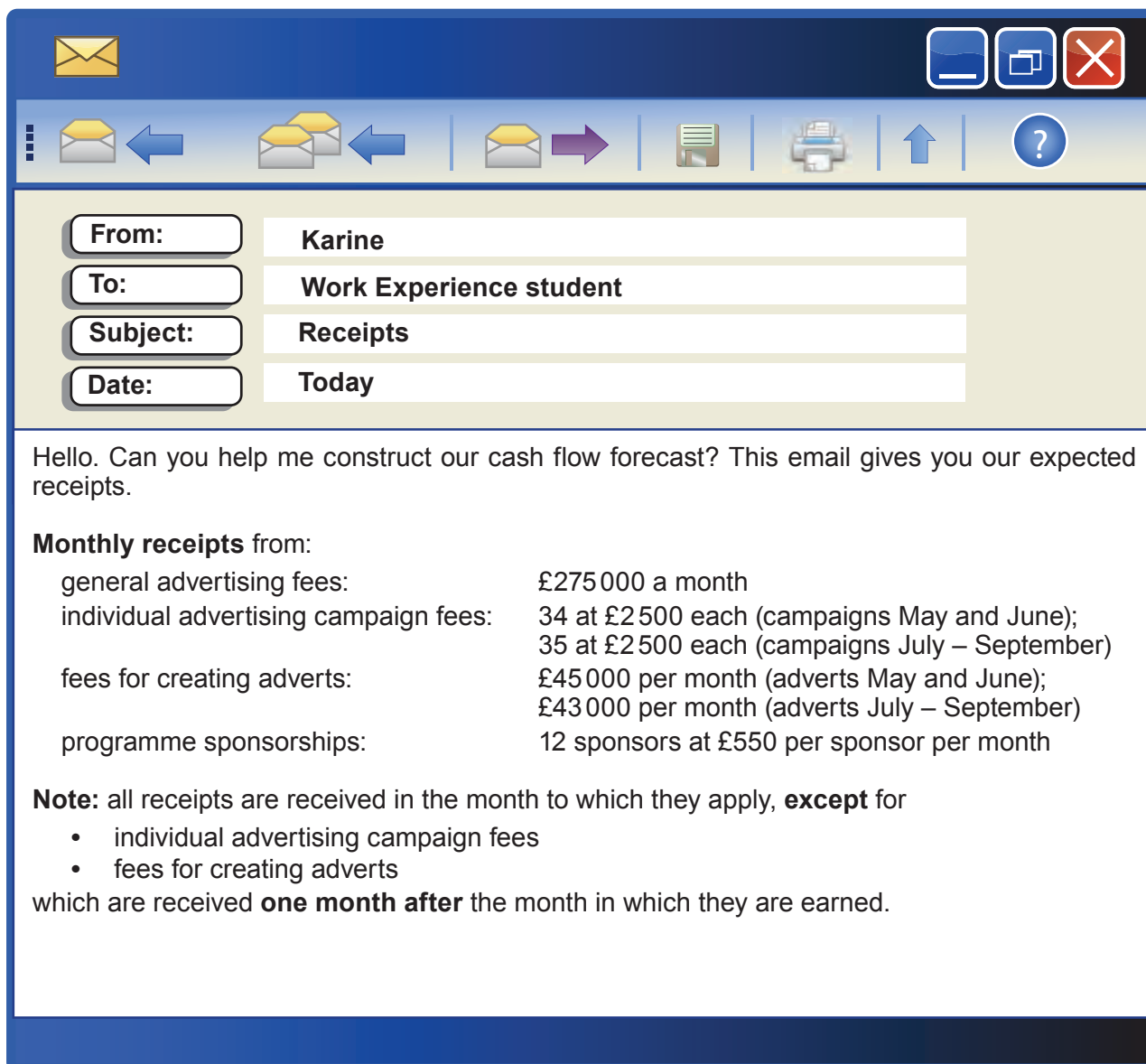
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12. Karine has sent you the emails shown below and opposite.



The screenshot shows an email client window with a blue header bar containing icons for mail, window management, and help. Below the header is a toolbar with icons for back, forward, print, and other actions. The email content is displayed in a light beige area with a header section containing the following information:

From:	Karine
To:	Work Experience student
Subject:	Receipts
Date:	Today

The main body of the email contains the following text:

Hello. Can you help me construct our cash flow forecast? This email gives you our expected receipts.

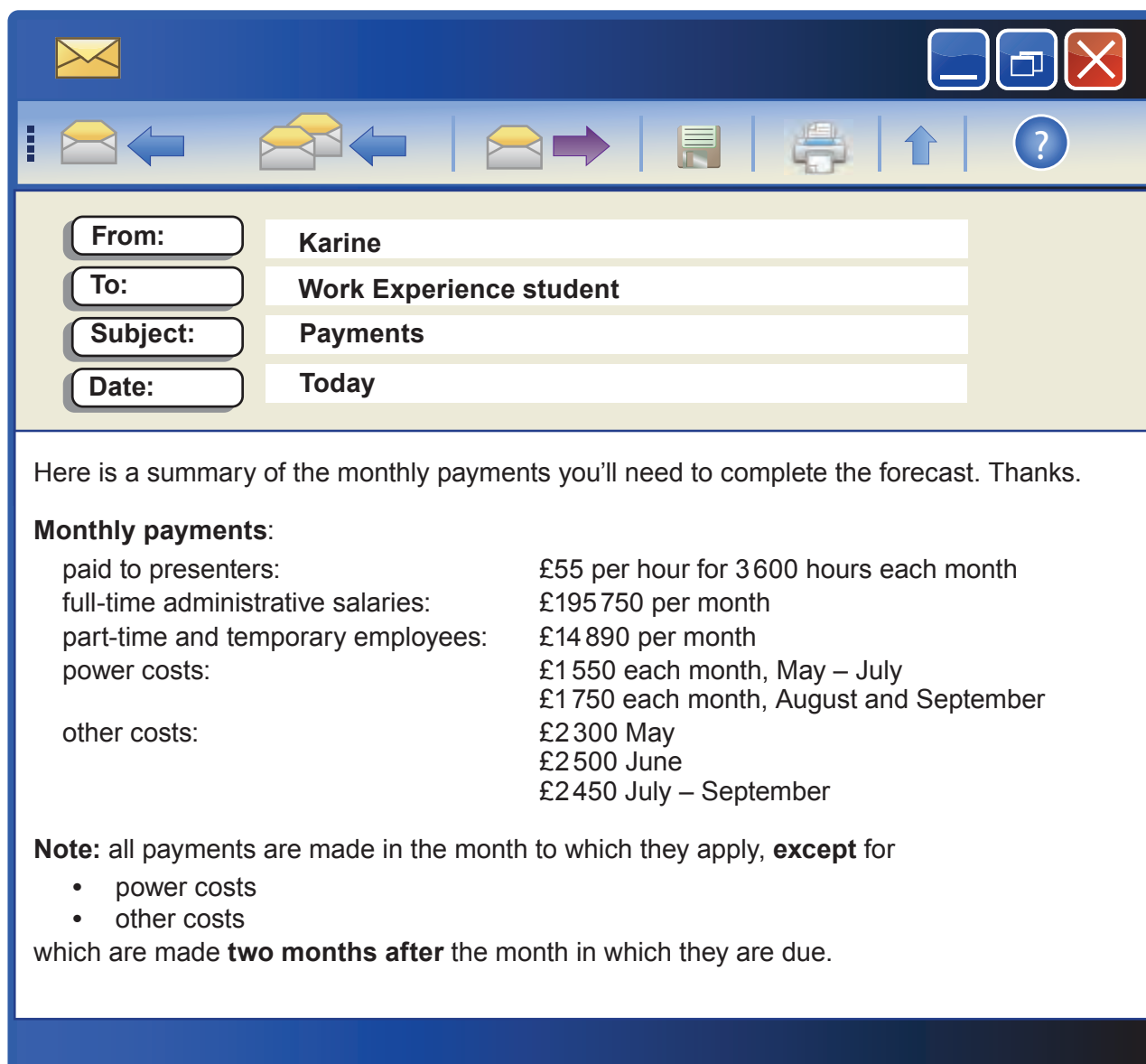
Monthly receipts from:

general advertising fees:	£275 000 a month
individual advertising campaign fees:	34 at £2 500 each (campaigns May and June); 35 at £2 500 each (campaigns July – September)
fees for creating adverts:	£45 000 per month (adverts May and June); £43 000 per month (adverts July – September)
programme sponsorships:	12 sponsors at £550 per sponsor per month

Note: all receipts are received in the month to which they apply, **except** for

- individual advertising campaign fees
- fees for creating adverts

which are received **one month after** the month in which they are earned.



The screenshot shows an email client window with a blue header and a toolbar containing icons for mail, back, forward, print, and help. The email content is as follows:

From: Karine
To: Work Experience student
Subject: Payments
Date: Today

Here is a summary of the monthly payments you'll need to complete the forecast. Thanks.

Monthly payments:

paid to presenters:	£55 per hour for 3 600 hours each month
full-time administrative salaries:	£195 750 per month
part-time and temporary employees:	£14 890 per month
power costs:	£1 550 each month, May – July £1 750 each month, August and September
other costs:	£2 300 May £2 500 June £2 450 July – September

Note: all payments are made in the month to which they apply, **except** for

- power costs
- other costs

which are made **two months after** the month in which they are due.

Complete the cash flow forecast for July, August and September 2014 in the table on the opposite page on behalf of Karine, using **all** cash flows shown in the **emails**.

Your forecast must show opening balances, total inflows, total outflows, net cash flow and closing balances for **each** month. The opening balance for July 2014 is £24 860. [14]

13. (a) To what extent is liquidity important to a business such as *LMH*?

[3]

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(b) Examine the liquidity position of *LMH* shown by your calculations from question 12 and the information in question 12.

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END OF SECTION B

END OF PAPER

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