

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS/A level

1601/01

APPLIED BUSINESS

UNIT: ABUS1

Paper version of on-screen assessment

P.M. WEDNESDAY, 8 January 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 *Bucks Tours*.

Section B 80 marks Short-answer and extended-answer questions based on *Bucks Tours*.

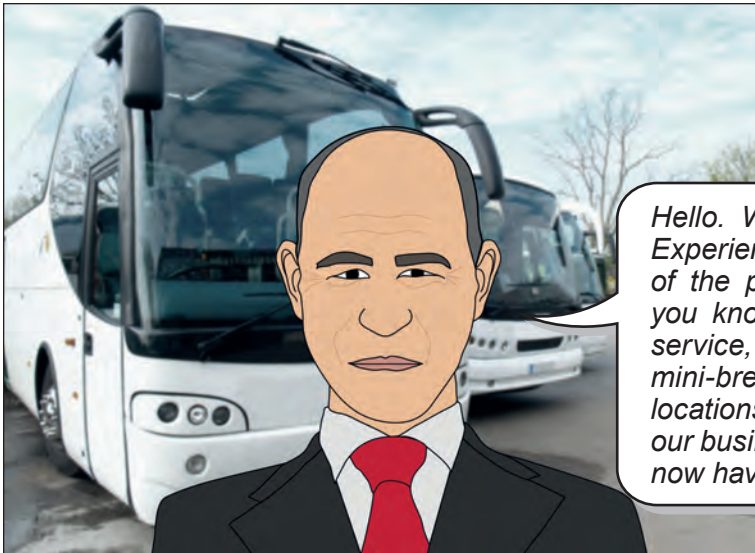
INFORMATION FOR CANDIDATES

Quality of Written Communication will be assessed in the responses to questions 11 and 15 in Section B.

Electronic calculators may be used.

SECTION A

Answer **all** questions in this section.



Hello. Welcome to the start of your Work Experience with us. I'm Will Thomas, one of the partners who own Bucks Tours. As you know, Bucks Tours runs a coach tour service, offering trips to concerts, day trips, mini-breaks, and longer coach holidays to locations throughout the UK. We've built up our business over the last 20 years or so, and now have nearly 50 000 customers a year.

1. As a partnership, *Bucks Tours*

- A** has to have the same objectives as a franchise
- B** will share profits equally between all partners
- C** must be owned by at least two partners
- D** has to register an official Partnership Agreement

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

Answer

[1]

2. Some of the work of the *Bucks Tours* partners is innovative. 'Innovation' is

- A** the desire or willingness of employees shown in their work
- B** translating an idea into something new for customers
- C** taking on the risk of organising and operating a business
- D** monitoring achievement through business objectives

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

Answer

[1]

3. The profitability position of *Bucks Tours* is best shown by

- A calculating return on capital employed
- B producing a budget for staff salaries
- C entering sales figures into a spreadsheet
- D calculating the business's working capital

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

Answer

[1]

4. *Bucks Tours* deals with the following organisations. Which one is in the public sector?

- A *The Cambrian*, one of the hotels used by *Bucks Tours* customers
- B *Department for Transport*, which sets rules for coach tour operators
- C *Bolt & Moore*, lawyers who handle *Bucks Tours* legal matters
- D *SF Garages*, which services the coaches used by *Bucks Tours*

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

Answer

[1]

5. The last coach bought by the partners was manufactured by a public limited company. State **one** feature of a public limited company's:

- control

[1]

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- long-term financing.

[1]

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6. The following are work tasks and work roles at *Bucks Tours*. Draw a line to match the **most appropriate** work task with each work role. [2]

Work Task	Work Role
Handling customer enquiries	Partner
Constructing the balance sheet	Purchasing Clerk
Deciding on business objectives	Sales Office Clerk
Recording pay increases	Finance Manager
Buying stationery and consumables	Human Resources Clerk

7. The work of *Bucks Tours* is influenced by changes in its external environment. Explain **one** likely effect on *Bucks Tours* if the following changes take place.

- The Government introduces tighter regulations on vehicle exhaust fumes. [2]

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- Airlines receive bad publicity as a result of poor safety and customer service. [2]

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8. When buying a new coach, the partners have previously taken out a **bank loan**. Will has suggested that, when they buy their next new coach, the partners should use the **cash** reserves of the business. The other partners have agreed to his suggestion.

(a) Suggest **two advantages** to *Bucks Tours* of using cash reserves instead of a bank loan to buy their next coach. [4]

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(b) Suggest **two disadvantages** to *Bucks Tours* of using cash reserves instead of a bank loan for this purpose. [4]

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SECTION B

Answer all questions in this section.



1. Name an organisation that you have studied that does **not** provide services similar to those of *Bucks Tours*, and describe briefly what it does. You will use this organisation to answer questions 2, 3 and 4. [1]

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2. Give **two** reasons why the business objectives of your chosen organisation are likely to differ from those of *Bucks Tours*. [4]

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3. Explain how health and safety legislation influences the activities of your chosen organisation. [4]

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4. For **each** of the following, name an appropriate type of business software and explain how it could help your chosen organisation. [6]

- Keeping staff records.

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- Communicating with suppliers.

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We've recently had a new sales leaflet printed for our prospective customers, and I've brought a copy for you to read. In the leaflet we explain how we started Bucks Tours. We also point out some of the positive features of our business such as our Total Quality Management approach, and the fact that we are structured by function.

5. Read the leaflet extract shown below and then answer the following question.



BucksTours

Who are we?

Bucks Tours was established in 1994 as a partnership, to offer day trips and trips to concerts in our local area. The original partners provided the initial capital needed, and they still own and work in the business, which has grown substantially. Whilst *Bucks Tours* still offers concert and day trips, nowadays most of our work is devoted to offering a wide range of regional and national coach travel holidays, using our state-of-the-art coaches. (Our website gives detailed information on all our services, and we will be pleased to email our latest holiday brochure to you.)

We have a carefully selected team of Reservations staff, who are always prepared to offer advice and information, as well as carry out quick and efficient booking to meet your needs. At the time of booking, we will ask you to make a small deposit, which is non-refundable.

Identify **one** example of **each** of the following resources in *Bucks Tours*, mentioned in the leaflet extract. [4]

- human
- physical
- informational
- financial

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6. Will states that *Bucks Tours* is structured by function.

(a) What does “structured by function” mean? [2]

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(b) Name **one other** way in which the owners of *Bucks Tours* could structure the business. [1]

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7. (a) What is meant by Total Quality Management (TQM)?

[2]

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(b) Outline how the use of TQM by *Bucks Tours* will benefit its:

- customers

[3]

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- employees.

[3]

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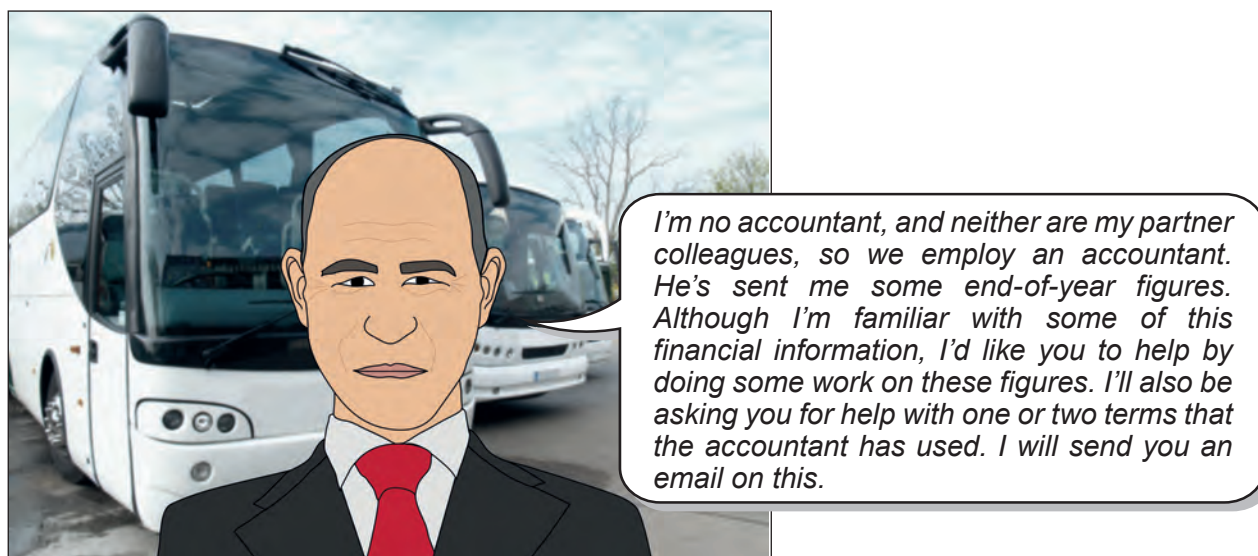
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8. The financial information from Will is in the email shown below.

From: W Thomas
 To: Work Experience Student
 Date: Today
 Subject: Financial information

Here is the financial information I promised you. Please do your calculations and let me know the results. Thanks.

Item	Figure at 31.12.13
Turnover (sales)	£6 000 000
Gross profit	£2 100 000
(Net) Profit for the year	£720 000
Inventories (Stocks)	£10 800
Other current assets	£79 200
Current liabilities	£72 000
Receivables collection (Debtors collection period)	21 days
Payables collection (Creditor collection period)	35 days

Using the information in the email, calculate the following ratios for 2013.

- Profit in relation to revenue (net profit margin) [2]

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- Gross profit margin [2]

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- Acid Test ratio [2]

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- Current ratio [2]

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9. Will has asked you for help in understanding the difference between some terms in the email. State the difference between:

- gross profit and (net) profit for the year [2]

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- receivables collection period and payables collection period. [2]

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10. Identify **two other** items of information that are **not** in questions 8 and 9, which Will needs in order to make a better judgement of the financial performance of *Bucks Tours*.

For **each** item of information, give a reason why it is needed for this purpose. [4]

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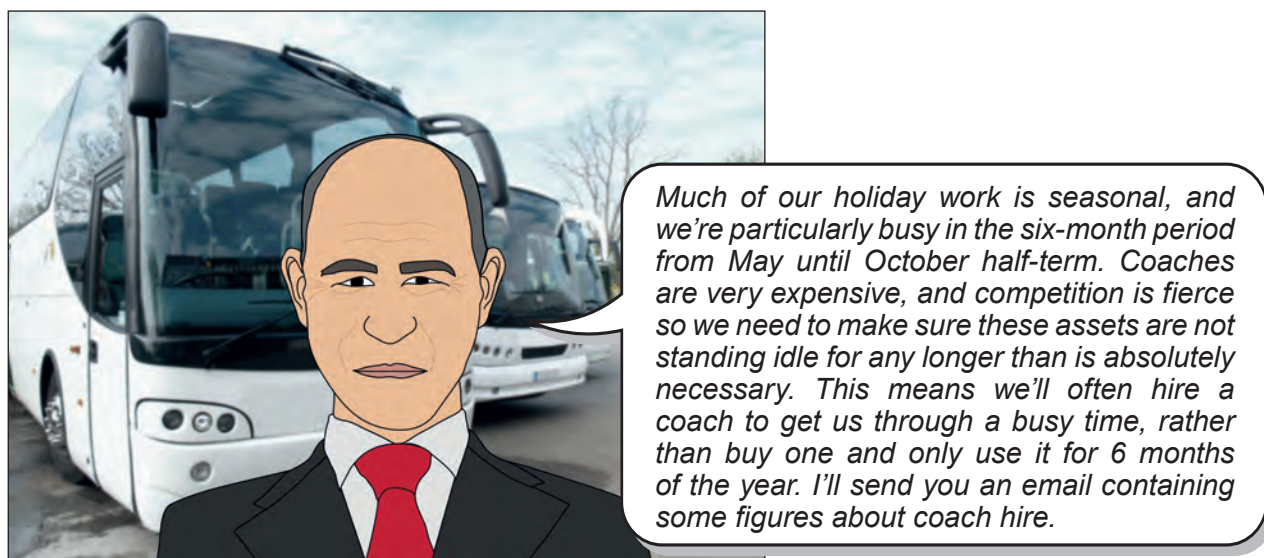
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12. Will has sent you the email below.

From: W Thomas
To: Work Experience Student
Date: Today
Subject: Hire costs

Bucks Tours pays an average £250 a day to hire a coach in the busy holiday season. Our average hire period is 4 days, and we drive the coach 120 miles each day on average. Fuel consumption averages 5 miles a litre, and costs £1.50 per litre. Each coach hire also costs us £156 in total for insurance and other expenses.

Of course, we use our own drivers, and we charge a proportion of the driver's salary to each hire. I've calculated this charge as an average of £800 for each hire. Our income is £70 per passenger for each hire.

Using the information in the email, calculate for the average coach hire period:

(a) the number of passengers required to break even [3]

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(b) the profit or loss made if 40 passengers go on a 4 day coach trip. [2]

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13. Will has calculated that, when *Bucks Tours*' own coaches are used for holidays and other trips, the break-even number of passengers is 40. His calculation is based on a contribution of £6.00 that each passenger makes to the fixed costs charged to the trip.

Calculate and state the effect that each of the following will have on the break-even number of 40 passengers and contribution of £6.00 per passenger:

- fuel and other variable costs increase by £1 per passenger [2]

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- competition leads to *Bucks Tours* lowering its prices, resulting in £2 less being received from each passenger [2]

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- fixed costs charged to the trip increase by £12. [2]

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14. Will is aware that a competitor has reduced the price of its holidays.

Examine **two** likely effects on *Bucks Tours* if, as a result of this competitor action, Will lowers the prices it charges. [6]

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15. Assess the value of break-even analysis as a technique for *Bucks Tours* to use when making pricing decisions. [8]

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