



GCE AS/A Level

1601/01

APPLIED BUSINESS – ABUS1

Paper version of on-screen assessment

A.M. MONDAY, 18 May 2015

2 hours plus your additional time allowance

Surname _____

Other Names _____

Centre Number _____

Candidate Number 2 _____

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

INSTRUCTIONS TO CANDIDATES

Use black ink, black ball-point pen or your usual method.

Write your name, centre number and candidate number in the spaces provided on the front cover.

Answer ALL questions in Section A and Section B.

SECTION A 20 marks Short-answer questions based on Sendit Removals Ltd.

SECTION B 80 marks Short-answer and extended-answer questions based on Sendit Removals Ltd.

INFORMATION FOR CANDIDATES

Quality of Written Communication will be assessed in the responses to questions 10 and 14 in Section B.

Electronic calculators may be used.

SECTION A

Answer ALL questions in this section.



Hello. Thanks for joining us on work experience. I'm Louise Brooks, one of Sendit Removals Ltd's directors. We are the largest removal company in this area. Sendit can transport anything anywhere, quickly and safely, whether it means moving items locally, to another part of the UK or abroad. We've been in business for nearly 30 years and we've established a good reputation. I hope you enjoy your time here.

1. **SENDIT is a private limited company. This means that it must**
- A publish the results of its ratio analysis calculations**
 - B pay corporation tax on the profits that it makes**
 - C pay its employees monthly into their bank accounts**
 - D calculate its net profit using break-even analysis.**

Which of the above statements is correct: A, B, C or D? [1]

Answer

2. Limited companies such as SENDIT are most likely to store information about their employees on

- A a database
- B a spreadsheet
- C an invoice
- D a budget.

Which of the above statements is correct: A, B, C or D? [1]

Answer

3. Which of these activities involves a cash INFLOW for SENDIT?

- A A customer is given a refund for overpayment**
- B A new employee receives her first week's salary**
- C An old furniture removals van is sold to a garage**
- D Advertisements are placed in the local newspaper.**

Which of the above statements is correct: A, B, C or D? [1]

Answer

4. SENDIT'S balance sheets will contain information about

- A gross profit
- B sales revenue
- C stock turnover
- D share capital.

Which of the above statements is correct: A, B, C or D? [1]

Answer

5. Louise believes that SENDIT'S success is based partly on the entrepreneurial skills and attributes of its directors.

State TWO entrepreneurial skills or attributes that the directors of SENDIT need to make the company successful. [2]

6. SENDIT plans to buy lifting equipment that has only just come onto the market. This equipment will assist employees when they have to move heavy items. It has been ordered from a business that the company has not previously used, and SENDIT'S staff will demonstrate it to prospective customers in the hope of persuading them to use SENDIT as their removals company.

Identify from the above information ONE example of EACH of the following

- marketing innovation
- product innovation
- supply chain innovation [3]

7(a) The following are some of the business aims and objectives of SENDIT. TICK (✓) the boxes to show which TWO are most appropriate as business OBJECTIVES. [2]

- To maintain Sendit’s existing good relationships with its employees**

- To continue as a family and business-friendly company**

- To increase the number of international removals by 10% in 2015**

- To monitor both fixed costs and variable costs**

- To maintain SENDIT’S present profit margins this year**

7(b) Explain why the two you have selected in (a) are more appropriate as business objectives and not business aims. [2]

8. SENDIT has a business plan, which is updated every month.

(a) Name TWO sections likely to be found in this business plan. [2]

8(b) Describe ONE way in which this business plan can be used to monitor the performance of SENDIT. [2]

9. The ratios shown opposite are calculated by the Accounts section of SENDIT. Draw a line to match EACH ratio with its correct use. [3]

END OF SECTION A

RATIO NAME	USE OF THE RATIO TO
Debtors (Receivables) collection period	assess whether the investment in SENDIT is worthwhile
Gross profit margin	measure the company's liquidity
Return on capital employed	discover how long SENDIT allows its customers to pay what they owe
Acid test	compare the value of selling goods/services with their cost
Creditors (Payables) collection period	review how quickly SENDIT pays its trading debts

SECTION B

Answer ALL questions in this section.



We operate as a private limited company, and our ownership, control and long-term financing is what you'd expect it to be from studying a typical company. I mentioned that we've been in the business for about 30 years now. This has allowed us to build up our financial and other resources over this long period of time, and so nowadays we're in a fairly strong market and financial position.

- 1. Name an organisation that you have studied that is NOT a private limited company, and describe briefly what it does. You will use this organisation to answer questions 2 and 3. [1]**

2(a) Describe your chosen organisation's long-term finance arrangements and how your organisation is controlled.

– Long-term finance arrangements [2]

– Control [2]

2(b) Suggest whether the long-term financing and control of your chosen organisation is likely to differ from, or be similar to, the long-term financing and control of SENDIT REMOVALS LTD.

- Long-term financing [2]**

2(b) – Control [2]

3(a) Give ONE example of each of the following resources used in your chosen organisation.

[2]

– Physical resources

– Informational resources



We have a good reputation for offering a quality removals service, which is helped by our Total Quality Management system. My role in Sendit is to carry out the responsibilities of a Human Resources Director. I'll shortly introduce you to the other directors. They are Mike, who's responsible for Sales & Marketing, and Saeed, who's responsible for Finance & Administration. We meet regularly to discuss the company's progress in relation to its external environment.

4(a) What is meant by 'Total Quality Management' (TQM)? [2]

4(b) – employees? [3]

5. Using examples of the likely responsibilities of SENDIT'S directors, outline ONE way in which Louise's work will be

– DIFFERENT FROM that of Mike or Saeed

[2]

5. – THE SAME AS that of Mike or Saeed. [2]



We plan to build a new storage depot on site for people and businesses needing somewhere to store items, either short-term or long-term. We review how well any new area of our business is likely to do and so we're creating a forecast for the new depot's expected financial performance. We've used some existing financial information to help us. As part of your work experience, maybe you can finish this for us.

7. SENDIT'S new storage depot is expected to open in January 2016, and Louise and her colleagues have started to prepare the financial forecast below for the first two years of operation.

(a) Complete the following forecast for the new storage depot. [6]

ITEM	2016	2017
Receipts from clients (Sales) (£)	35 000	40 000
Gross profit margin (%)	70	68
Cost of sales (£)		
Gross profit (£)		
Other expenses (£)	5 000	7 700
Net profit (£)		

7(b) Calculate for each year the forecast net profit margin for the new depot. [2]

9. SENDIT operates a budgetary control system, and Louise has studied SENDIT'S budgets to help produce her forecast for the new storage depot.

Outline how SENDIT employees are likely to set each of the following budgets:

- Revenue budget [2]

9. – Wages budget [2]

10. Louise knows little about budgeting. Using the email opposite, explain to Louise the difference between budgeting and budgetary control, and between a favourable revenue variance and a favourable cost variance. [8]

13. Louise has produced the break-even chart (opposite) for the building that SENDIT will use whilst the new storage depot is being built. The chart is based on the average revenue from, and the cost of, the number of storage areas contained in the building that are expected to be rented by clients.

Use the information in the break-even chart to answer the following questions.

- How much is the estimate for fixed costs?

£ _____ [1]

- How many storage areas must clients rent for Sendit to break even?

_____ [1]

- Calculate the average weekly variable cost for each storage area.

£ _____ [1]

- Calculate the weekly price SENDIT charges to rent each storage area.

£ _____ [1]

13. – If SENDIT manages to rent out 20 storage areas each week, what is the:

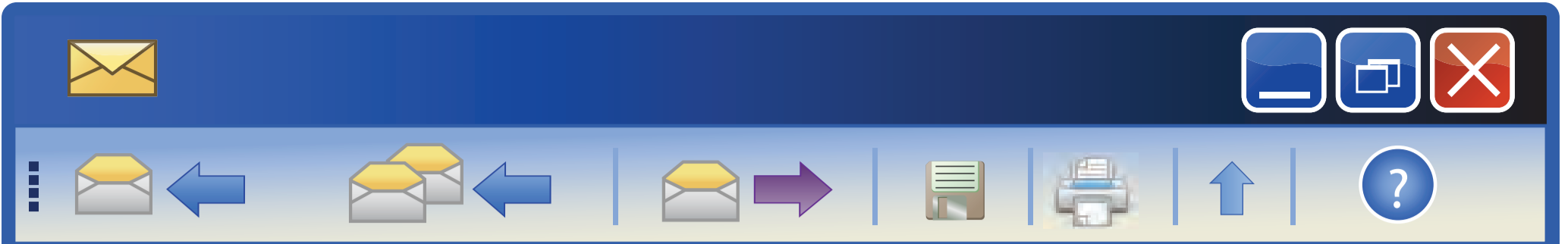
margin of safety _____ storage areas [1]

profit or loss? £ _____ [2]

(State clearly whether it is a profit or a loss.)

END OF SECTION B

END OF PAPER



From:	Work Experience Student
To:	Louise Brooks
Subject:	Budgeting
Date:	Today

Louise, the difference between budgeting and budgetary control is as follows.

The difference between a favourable revenue variance and a favourable cost variance is as follows.

(The reverse is true for the difference between an adverse revenue variance and an adverse cost variance.)



As you know, we hope to have our new storage depot completed by the end of this year. This will allow us to offer state-of-the-art storage facilities, which we believe will be a big selling point for the business. However, this means we have to demolish the building we currently use for storing items, and so we need to find somewhere on our local industrial estate to act as a storage depot until the new one is built. I'll send you an email with further details.

11. Study the following email from Louise and answer the question 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 the following details:

From:	Louise Brooks
To:	Work Experience Student
Subject:	Proposed temporary storage building
Date:	Today

The main body of the email contains the following text:

We've found one building we think might be large enough for the next six months or so, and we're now working on expected revenues from storage as well as costs such as advertising the facility, its business rates, and also light and heat which we're told will be a semi-variable cost. However, space in this building is quite tight, so if we end up needing more storage space than planned for, then we'll also need a second building.

BREAK-EVEN CHART FOR SENDIT'S TEMPORARY STORAGE BUILDING

