

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS/A level

1601/01



S15-1601-01

APPLIED BUSINESS – ABUS1

Paper version of on-screen assessment

A.M. MONDAY, 18 May 2015

2 hours

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

1601
010001

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 *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.



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**?

Answer

[1]

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**?

Answer

[1]

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**?

Answer

[1]

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**?

Answer

[1]

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]

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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]

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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

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

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

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

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(b) Describe **one** way in which this business plan can be used to monitor the performance of *Sendit*. [2]

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9. The following ratios are calculated by the Accounts section of *Sendit*. Draw a line to match **each** ratio with its correct use. [3]

Ratio name
Debtors (Receivables) collection period
Gross profit margin
Return on capital employed
Acid test
Creditors (Payables) collection period

Use of the ratio to
assess whether the investment in <i>Sendit</i> is worthwhile
measure the company's liquidity
discover how long <i>Sendit</i> allows its customers to pay what they owe
compare the value of selling goods/services with their cost
review how quickly <i>Sendit</i> pays its trading debts

END OF SECTION A

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]

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

- Long-term finance arrangements [2]

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- Control [2]

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(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]

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- Control [2]

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3. (a) Give **one** example of each of the following resources used in your chosen organisation. [2]

- Physical resources

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- Informational resources

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(b) Give **two** reasons why the resource requirements of your chosen organisation are likely to differ from those of *Sendit Removals Ltd.* [4]

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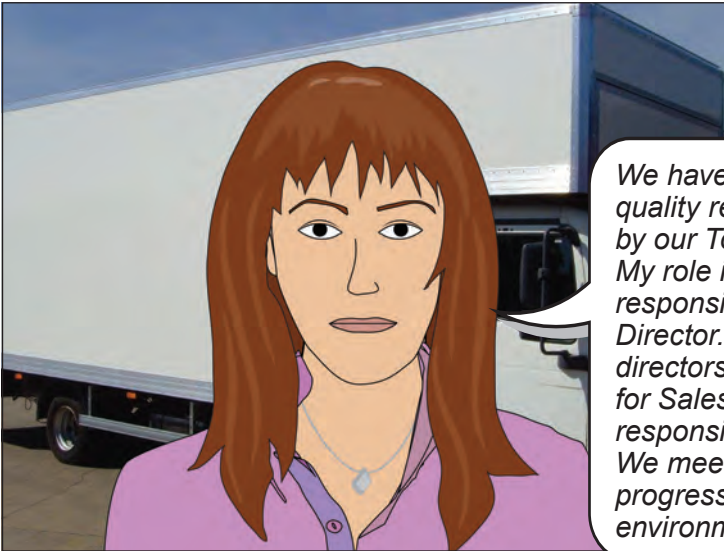
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We have a good reputation for offering a quality removals service, which is helped by our Total Quality Management system. My role in Sendit is to carry out the responsibilities of a Human Resources Director. I'll shortly introduce you to the other 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]

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(b) How will *Sendit's* implementation of TQM influence or be influenced by its

- customers [3]

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- employees? [3]

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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]

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- **the same as** that of Mike or Saeed. [2]

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6. Analyse **one** way in which the external environment is likely to influence *Sendit's* work. [3]

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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 (£)		

(b) Calculate for each year the forecast net profit margin for the new depot.

[2]

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8. Using the information from question 7 and your responses to question 7, examine whether the forecast for the new depot shows an improvement or a decline from 2016 to 2017. [5]

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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]

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- Wages budget [2]

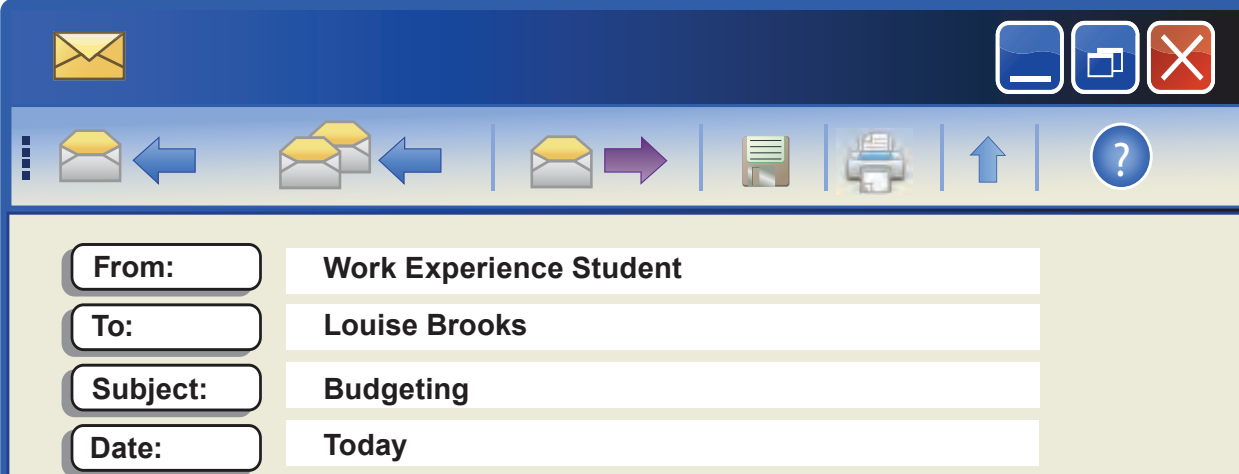
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10. Louise knows little about budgeting. Using the email opposite, explain to Louise the difference between budgeting and budgetary control, and between a favourable revenue variance and a favourable cost variance. [8]



The screenshot shows an email client window with a blue title bar and a toolbar. The email header is as follows:

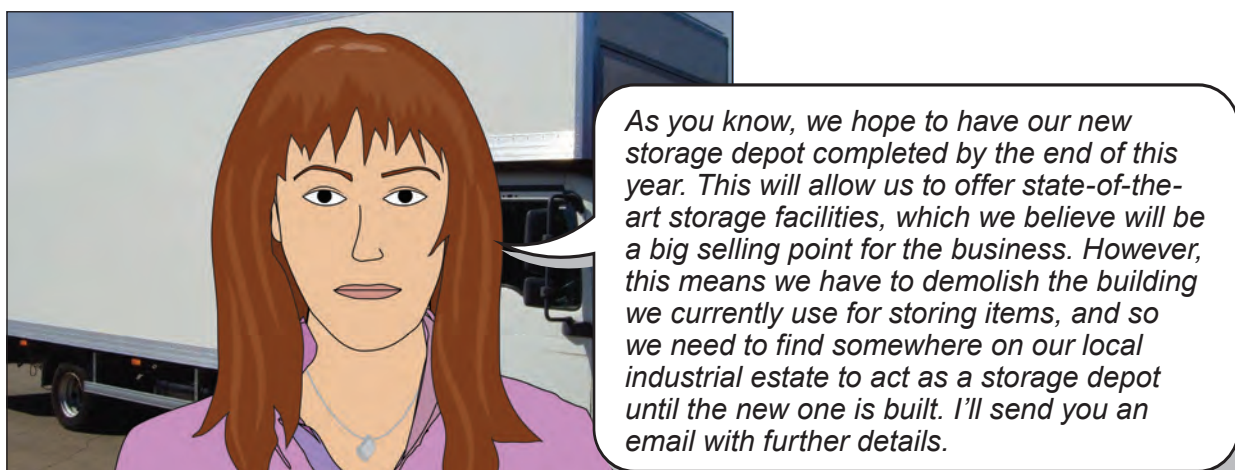
From:	Work Experience Student
To:	Louise Brooks
Subject:	Budgeting
Date:	Today

The main body of the email contains the following text:

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.)



11. Study the following email from Louise and answer the question opposite.

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

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.

Explain why the cost of power (light and heat) is often classified as 'semi-variable'. [4]

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12. Identify **one** example of a fixed cost and **one** example of a stepped cost included in Louise's email, giving a reason in each case for your choice. [4]

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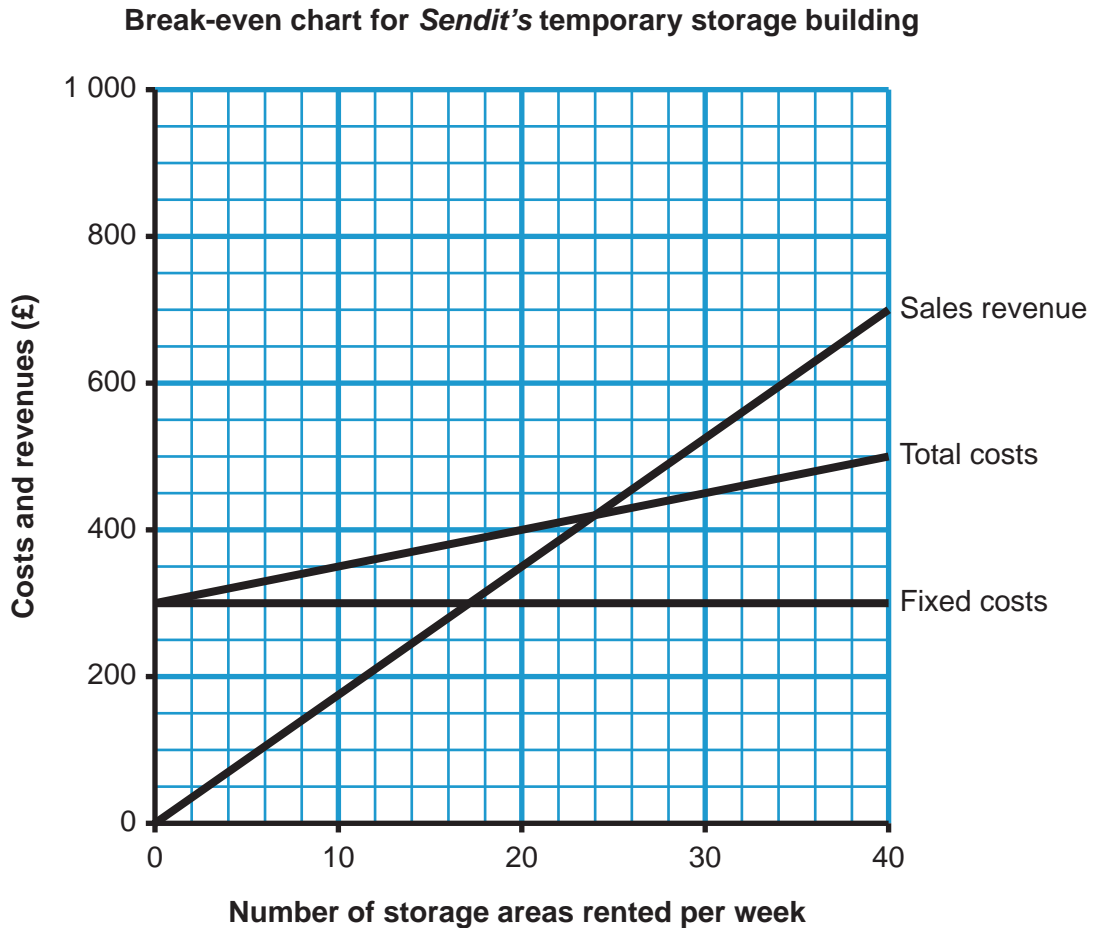
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13. Louise has produced the following break-even chart for the building that *Sendit* will use whilst the new storage depot is being built. The chart is based on the average revenue from, and the cost of, the number of storage areas contained in the 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]
- 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.)

14. To what extent is break-even analysis a useful means of forecasting the likely success of the **new** storage depot about to be built by *Sendit*? [10]

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END OF SECTION B

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