

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS/A level

1601/01



S16-1601-01

APPLIED BUSINESS – ABUS1

Paper version of on-screen assessment

P.M. THURSDAY, 19 May 2016

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 *Peartree*.

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

INFORMATION FOR CANDIDATES

Quality of Written Communication will be assessed in the responses to questions **6** and **12** in Section B.

Electronic calculators may be used.

SECTION A

Answer all questions in this section.



I hope you're enjoying your Saturday job with Pete in Finance and me in Marketing here at Peartree. As you know, we own and run a farm shop and café, and there's also an antiques centre and a craft centre on the same site so that customers can 'make a day of it' when they visit Peartree. Our farm shop is much the same as an ordinary shop, except we really emphasise local produce. Being new to running a business is a major challenge for us and I'm sure we will benefit from your business expertise.

1. *Peartree* is run as a partnership by Natalie and Pete. This means that Natalie and Pete
- A always have to share *Peartree*'s profits equally
 - B will benefit from limited liability for *Peartree*'s debts
 - C can both introduce capital into the business
 - D are not allowed to take on any more partners.

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

Answer

[1]

2. Natalie and Pete set budgets. The sales budget for *Peartree* is an example of
- A a cash budget
 - B an expenses budget
 - C a profit budget
 - D a revenue budget.

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

Answer

[1]

3. At *Peartree*, Natalie is responsible for marketing and buying, and Pete for finance. This is an example of different
- A functional responsibilities
 - B innovative business practice
 - C legal ownership
 - D quality initiatives.

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

Answer

[1]

4. Pete uses a computer for some of his work, and also prints out some of his work. What type of resource is the printer?
- A Human
 - B Financial
 - C Informational
 - D Physical.

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

Answer

[1]

5. Natalie (in her marketing work) and Pete (in his financial work) make use of the business software (word processing, spreadsheet, database, presentation and desktop publishing) on their computer.

For **each** of them:

- (a) identify **one** appropriate example of business software they could use for their work [2]
 (b) explain how this software could help them in their work. [2]

- Natalie;

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- Pete;

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6. *Foodfare Ltd*, a local manufacturer of ice cream and desserts, is one of *Peartree's* suppliers. Draw a line to match the **most appropriate** *Foodfare Ltd* employee with each job responsibility. [2]

Employee	Job responsibility
Nyree, the Sales Manager	Preparing ingredients in the kitchens
Joe, one of the Food Production team	Purchasing ingredients to use in the kitchens
Ashok, a Buyer	Handling customer complaints
Jen, who works in Human Resources	Reviewing the business's mission statement
Pat, the Chief Executive	Writing an advertisement for new staff

- 7. (a) Natalie and Pete have set a number of objectives for *Peartree* to achieve. One of these objectives relates to profitability and another to customer loyalty.

How might an objective that relates to:

- (i) profitability be measured **quantitatively**? [2]

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- (ii) customer loyalty be measured **qualitatively**? [2]

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- (b) Natalie has written the following for the *Peartree* website and Facebook page.

Peartree is not just a Farm Shop, it is the home of great local food for people in this area. Visit our Farm Shop and Café or buy online for home delivery: you will find we have a wide range of local food just for you. We are passionate about our food, and we want to share this passion with you. Come and visit us, or buy online. If you like our food, then please tell a friend.

- Using this information, construct an appropriate business aim for *Peartree*. [2]

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8. The work of *Peartree* is influenced by the external environment in which it operates. Explain **one** way in which *Peartree* could change its working practices if the following took place.

(a) The number of vegetarians (people who do not eat meat products) in the UK increases as a result of bad publicity concerning meat products. [2]

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(b) The Government increases the duty (tax) it charges on petrol and diesel. [2]

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END OF SECTION A

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SECTION B

Answer **all** questions in this section.



1. Name an organisation that you have studied that does **not** operate as a farm shop and café, 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 what actions your chosen organisation takes to comply with health and safety requirements. [4]

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(b) Analyse how the approach to health and safety taken by your chosen organisation is likely to be the same as, or different from, the approach taken by *Peartree*. [4]

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3. (a) What evidence is there that *Peartree's* owners, Natalie and Pete, are being entrepreneurial and/or innovative? [1]

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(b) Explain, using examples where appropriate, the importance of being enterprising and/or innovative to your chosen organisation. [5]

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We've been running Peartree for less than a year. Things weren't easy at the start due to the poor reputation of the previous farm shop and café on this site, and we still have to compete with other farm shops in the locality, plus large-scale retailers selling much cheaper food. We enjoy our work and things have improved to such an extent that we're planning to have some building work done to extend the café.

4. Outline **two** reasons why offering quality food and a quality service are important to Natalie and Pete in their present situation. [4]

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5. Explain how quality assurance and quality control can help Natalie and Pete offer quality food and a quality service in the café. [4]

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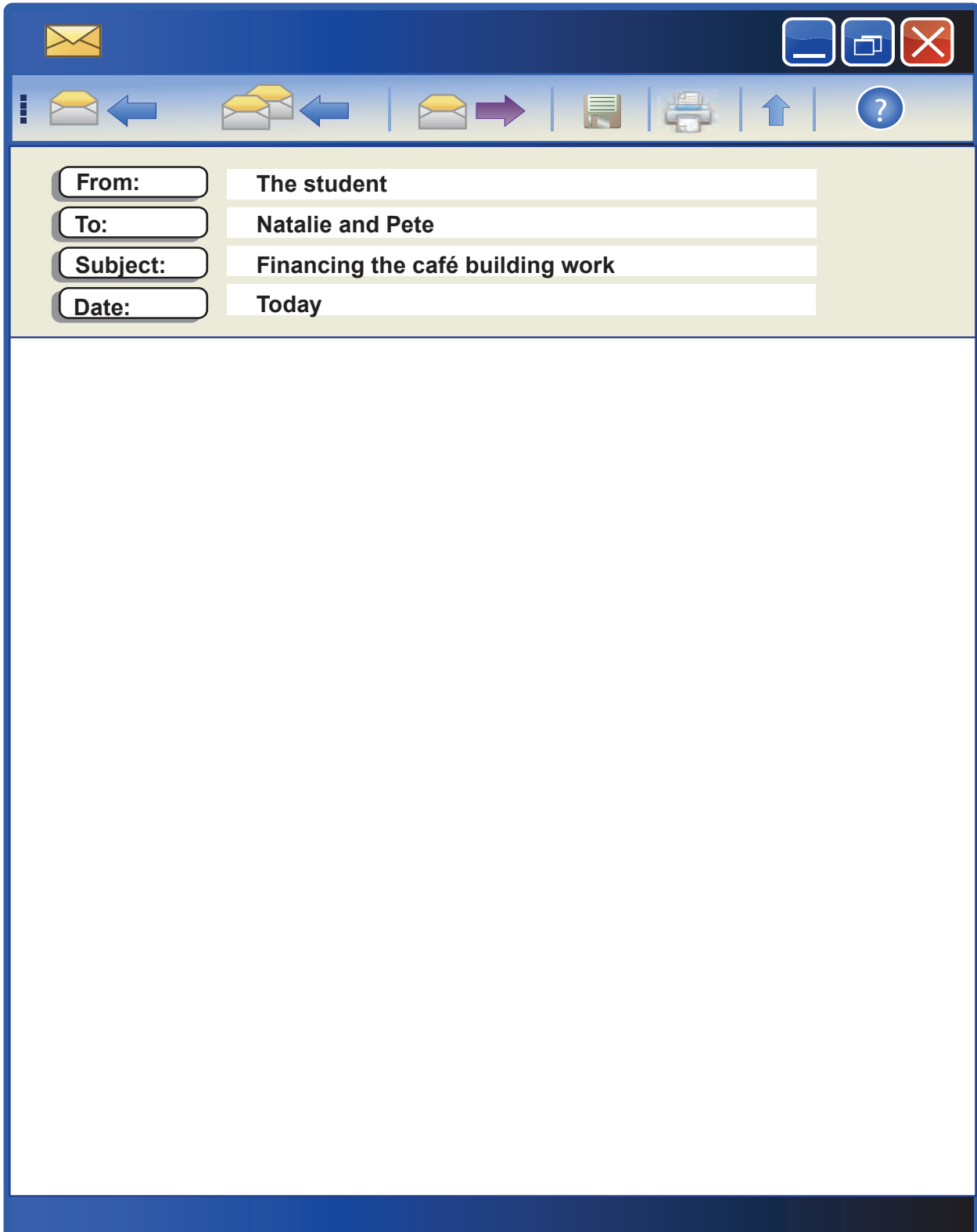
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6. Pete thinks the building work for the café will cost about £10 000. He and Natalie are planning to finance it through a combination of taking more trade credit and using their personal savings.

Natalie has asked you for advice. Using the email below, explain the **weaknesses** of having these sources of finance for the building work and suggest **one** alternative source for *Peartree*, giving reasons for your suggestion. [7]



The image shows a screenshot of an email client window. The window has a blue title bar with standard OS window controls (minimize, maximize, close) on the right. Below the title bar is a toolbar with icons for back, forward, print, and other functions. The main content area displays the email header information:

From:	The student
To:	Natalie and Pete
Subject:	Financing the café building work
Date:	Today

The body of the email is currently blank.

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- 7. Natalie is unaware of the value and limitations of cash flow forecasting and has therefore asked you to write down information about this.

For Natalie's benefit:

- (a) outline both the value and the limitation of cash flow forecasting [6]

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(b) state **one** likely reason for a cash surplus and **one** likely reason for a cash deficit at ***Peartree***

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(c) give **two** likely reasons why there could be cash flow problems at ***Peartree***, and suggest actions that the partners could take to improve ***Peartree***'s cash flow position.

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8. Pete is reviewing the financial benefits of running a café. He thinks that the financial performance might improve if the café altered its prices. Pete is also aware that the cost of food and drink used to make café meals is likely to increase in the near future.

Analyse the likely financial effect on the café if:

- (a) prices charged to customers in the café were increased [3]

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- (b) the costs of food and drinks sold in the café suddenly increased [3]

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9. Pete has produced the following information. He has asked for your help with some calculations.

Café customer and financial information

Number of days the café is open:	6 days a week
Average number of customers per day :	45 customers
	£
Average price paid per customer for food and drink:	4.50
Average cost to <i>Peartree</i> of food and drink per customer:	1.80
Additional variable costs per customer:	0.15
Café's share of Peartree's fixed costs:	471.75 per week

Calculate:

(a) the contribution that an average customer makes; [1]

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(b) how many customers **each week** the café needs to break even; [2]

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(c) the margin of safety for the café **each week**; [1]

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(d) the profit or loss (stating clearly whether it is a profit or a loss) made by the café if, in any **one week**, it received its expected number of customers. [2]

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As you are aware, there are two other businesses on our site: an antiques centre and a craft centre. Both are owned by Mr and Mrs McLachlan, and they're planning to retire in a year or so and put these businesses on the market. Although they are both small concerns, at present we could only afford to take one of them on. We'd certainly be interested, and I know Mr McLachlan would happily stay on as manager for a while to help us learn about the business.

- 10. Mr and Mrs McLachlan have given the partners some financial information about the antiques centre and the craft centre shown below.

Nat and Pete - here's a note of our financial figures, all are for the year 2015 and I've rounded them to the nearest hundred pounds for simplicity. Study them and see what you think about a possible purchase of one of the businesses. We can formalise things at a later date.

Turnover was £74 100 for our craft centre and £82 800 for the antiques centre. Our cost of sales figures were £28 300 for the craft centre and £32 500 for the antiques centre, and the other expenses came to £13 800 and £18 200 respectively.

Showing your workings, calculate for **each** business the following:

- (a) its **two** profit figures;

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(b) its **two** profitability ratios.

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11. Mr McLachlan has now given Pete the balance sheets of both businesses, which are also for the year 2015. From this information, Pete has calculated the ratios shown below.

	Antiques centre	Craft centre
Acid test ratio	0.7 : 1	0.8 : 1
Current ratio	4.2 : 1	2.9 : 1
Inventory turnover (stock turnover)	4.2 times per year	5.8 times per year

Assess whether the results of Pete’s calculations shown above provide information that can be used to judge and compare **each** business’s performance. [5]

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