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Centre number

Candidate number

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I declare this is my own work.

# A-level BUSINESS

## Paper 1 Business 1

Sample assessment material

Time allowed: 2 hours

### Materials

For this paper you must have:

- a calculator.

### Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions in **Section A** and **Section B**.
- Answer **one** question from **Section C** and **one** question from **Section D**.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this answer book. Cross through any work you do not want to be marked.

### Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 100.

For Examiner's Use	
Question	Mark
Section A	
16	
17	
18	
19	
20	
21	
22	
23	
24	
<b>TOTAL</b>	

## Section A

Answer **all** questions in this section.Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

**0 1**Which **one** of these sources of finance may involve the payment of a dividend?**[1 mark]****A** Debt factoring**B** Loans**C** Overdrafts**D** Share capital**0 2**The price elasticity of demand for a brand of clothes is  $-0.6$ . What will happen if the price decreases by 3%?**[1 mark]****A** Quantity demanded will rise and total sales revenue will fall.**B** Quantity demanded will rise and total sales revenue will rise.**C** Quantity demanded will fall and total sales revenue will fall.**D** Quantity demanded will fall and total sales revenue will rise.

**0 3**

How will an increase in interest rates be most likely to affect a highly geared house builder?

**[1 mark]**

**A** Decreasing costs and decreasing demand

**B** Decreasing costs and increasing demand

**C** Increasing costs and decreasing demand

**D** Increasing costs and increasing demand

**0 4**

Consumers are classified in groups according to their age. What is this an example of?

**[1 mark]**

**A** Behavioural segmentation

**B** Demographic segmentation

**C** Geographic segmentation

**D** Income segmentation

**0 5**

One high street bank merges with another high street bank. This is best described as an example of:

**[1 mark]**

**A** backward vertical integration.

**B** diversification.

**C** forward vertical integration.

**D** horizontal integration.

**Turn over ►**

**0 6**

The following information applies to **Question 06**.

A new software application costs £5 million to develop and has an expected lifetime of 5 years. It is expected to provide a net return of £1.5 million per year.

What is the payback period for the new software application?

**[1 mark]**

- A** 2 years
- B** 2 years 6 months
- C** 3 years 4 months
- D** 5 years

**0 7**

A firm's capacity utilisation is 60%. Its capacity then increases by 20%. Its new capacity utilisation is:

**[1 mark]**

- A** 40%.
- B** 50%.
- C** 75%.
- D** 80%.

**0 8**

**Statement 1:** 'Competitive advantage can only be achieved through low costs.'

**Statement 2:** 'Competitive advantage is more likely if a business experiences diseconomies of scale.'

**Read statements 1 and 2** and select the correct option from the following options.

**[1 mark]**

- A** Statement 1 is true. Statement 2 is true.
- B** Statement 1 is true. Statement 2 is false.
- C** Statement 1 is false. Statement 2 is true.
- D** Statement 1 is false. Statement 2 is false.

0 9

A business reduces its labour force by automating production with new technology. This leads to a 30% increase in capacity and a 10% increase in unit costs. This is an example of:

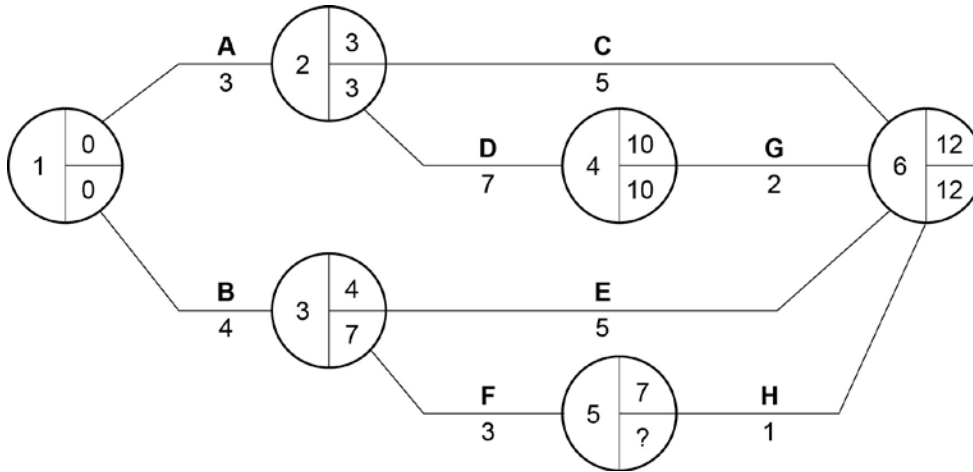
**[1 mark]**

- A** more labour intensive production leading to economies of scale.
- B** more labour intensive production leading to diseconomies of scale.
- C** more capital intensive production leading to economies of scale.
- D** more capital intensive production leading to diseconomies of scale.

**Turn over ►**

The network in **Figure 1** shows the activities involved in a new promotional campaign. This network applies to **Questions 10** and **11**. All timings are in days.

**Figure 1** Network for a promotional campaign



1 0

What is the latest finish time for Activity F?

[1 mark]

A Day 7

B Day 8

C Day 10

D Day 11

1 1

What is the critical path for the network?

[1 mark]

A AC

B ADG

C BE

D BFH

1 2

A business diversifies and finds that it can reduce unit costs by using the same equipment for different products. This is an example of:

[1 mark]

A diseconomies of scale.

B economies of scale.

C economies of scope.

D synergy.

1 3

Based on the data in **Table 1**, which **one** of the following statements is correct for this business between 2021 and 2022?

**Table 1** Data on a small producer

	2021	2022
Average number of employees	100	120
Number of staff leaving	20	22
Total output of business (units)	1000	1150

[1 mark]

A Labour productivity increased and labour turnover rate increased.

B Labour productivity increased and labour turnover rate decreased.

C Labour productivity decreased and labour turnover rate increased.

D Labour productivity decreased and labour turnover rate decreased.

Turn over ►

1 4

Forecasting future sales by projecting past trends in sales is known by which term?

[1 mark]

- A Correlation
- B Extrapolation
- C Market mapping
- D Qualitative market research

1 5

What is the current ratio for the company whose figures are shown in **Table 2**?**Table 2** Extract from the financial account of a company

Non-current assets	£100m
Current assets	£40m
Current liabilities	£30m
Non-current liabilities	£20m
Shareholder funds	£50m

[1 mark]

- A £10m
- B 2
- C 1.33
- D 40%

15

**QUESTION 15 IS THE LAST QUESTION IN SECTION A.****Section B starts on the next page.**



**Section B**Answer **all** questions in this section.**1 2**The data in **Table 3** refers to a particular business and should be used for **Questions 16.1** and **16.2**.**Table 3** Data on a business

Selling price	£7.50
Total revenue	£22 500.00
Total contribution	£15 900.00
Total costs	£20 650.00

**1 6 . 1**Based on the data in **Table 3**, calculate the fixed costs of the business. Show your workings.**[4 marks]**


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**1 6 . 2** Based on the data in **Table 3**, calculate the contribution per unit. Show your workings.

**[4 marks]**

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**8**

**1 7 . 1** Explain **one** possible benefit of budgeting to a fast-growing business.

**[4 marks]**

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**4**



1 9

A small business that competes in a market where demand is price elastic is introducing a system of quality assurance. Analyse how quality assurance might improve its competitiveness.

**[9 marks]**

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Some industries are dominated by a few large businesses. Analyse how large businesses might increase their profits by influencing **one** of Porter's five forces.

**[9 marks]**

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**Section C**

Answer **either** Question 21 **or** Question 22.

Shade the lozenge below to indicate which optional question you have answered.

Question 

2	1	<input type="radio"/>
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Question 

2	2	<input type="radio"/>
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CORRECT METHOD 

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WRONG METHODS 

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The managers of a multi-product business want to achieve a steady growth in sales. To what extent will an understanding of product life cycle help them make effective marketing decisions?

**[25 marks]**

**OR**

2	2
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To what extent is training likely to be the best way to improve the performance of a retailer's workforce?

**[25 marks]**

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**Section D**

Answer **either** Question 23 or Question 24.

Shade the lozenge below to indicate which optional question you have answered.

Question 

2	3	<input type="radio"/>
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Question 

2	4	<input type="radio"/>
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CORRECT METHOD 

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WRONG METHODS 

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2	3
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The managers of a public company believe that it is important for the business to behave ethically. To what extent do you think that an ethical approach to business decision making is now essential for managers in public limited companies.

[25 marks]

**OR**

2	4
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A small start-up business has grown over time to become one of the biggest firms in its market. To what extent is it inevitable that the culture of a business will change over time as it grows significantly.

[25 marks]

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END OF QUESTIONS

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ANSWER IN THE SPACES PROVIDED**







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Question number	<p style="text-align: center;"><b>Additional page, if required.</b> <b>Write the question numbers in the left-hand margin.</b></p>
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