

**ADVANCED SUBSIDIARY GCE UNIT  
APPLIED BUSINESS**

**F242**

UNIT 3: Understanding the Business Environment  
**WEDNESDAY 10 JANUARY 2007**

Morning

Time: 1 hour 30 minutes

Additional materials: Pre-release case study (clean copy);  
Calculator.



Candidate  
Name

Centre  
Number

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Candidate  
Number

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**INSTRUCTIONS TO CANDIDATES**

- Write your name, Centre number and candidate number in the boxes above.
- Answer **all** questions.
- Use blue or black ink. Pencil may be used for graphs and diagrams only.
- Write your answers in the spaces provided on the question paper.
- Read each question carefully and make sure you know what you have to do before starting your answer.
- If you run out of space for an answer, continue on the lined pages at the back of this booklet.
- Tell the invigilator if you do not have something that you need.
- Do **not** write in the bar code.
- Do **not** write outside the box bordering each page.

**INFORMATION FOR CANDIDATES**

- The number of marks available is given in brackets [ ] at the end of each question or part question.
- The quality of written communication will be taken into account in marking your answer to the question marked with an asterisk (\*).
- The total number of marks for this paper is 100.

FOR EXAMINER'S USE	
1	
2	
3	
4	
5	
<b>TOTAL</b>	

This document consists of **14** printed pages and **2** lined pages.

**1 (a)** Suggest **two** likely objectives of Dan Cartwright’s business in its first three years of operation.

Objective 1: .....

Objective 2: .....[2]

**(b\*)** In 1998 Dan Cartwright chose to set up as a sole trader business rather than as a private limited company. Evaluate the reasons why operating as a sole trader was an appropriate choice for Dan’s business.

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.....[12]

[Total: 14]





3 (a) Define each of the following terms.

Fixed cost: .....

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Variable cost: .....

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.....[4]

(b) Explain why the £12000 paid annually to Manoj Patel is a fixed cost to Dan's business.

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.....[3]

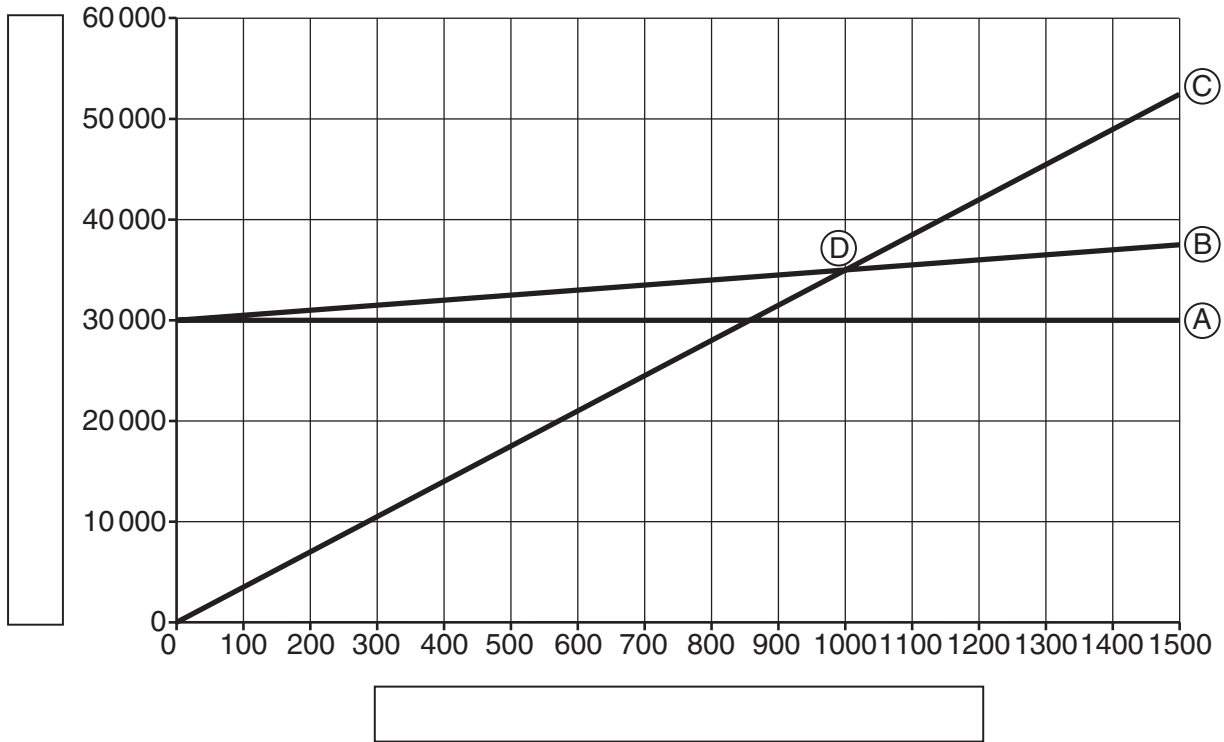
(c) Michelle has drawn up the following break-even chart for the business.

(i) Label the **two** axes. [2]

(ii) Complete the following table identifying A, B, C and D on the break-even chart. [4]

Label	
A	
B	
C	
D	

Annual break-even chart for Dan Cartwright



(iii) State the break-even output.

Break-even hours per year/annum = .....[1]

8

(d) Due to inflationary pressures on his costs, Dan has increased the hourly rate which he charges to customers. Using the following data, calculate the **new** break-even point of Dan Cartwright's business in terms of yearly/annual hours of work.

Hourly charge	£40	
Cost of items used	£6 per hour of work	
Fixed costs (including payment to Manoj)	£31 600 per year	[4]

Show your working:

**New** break-even point = ..... yearly/annual hours of work

[Total: 18]



4 (a) State **three** advantages of producing a cash flow forecast or cash budget using a spreadsheet.

Advantage 1: .....

.....

Advantage 2: .....

.....

Advantage 3: .....

.....[3]

(b) With reference to Dan Cartwright’s business, identify and explain **two** reasons why accurate financial record keeping is essential for successful business operations.

Reason 1: .....

.....

Explanation: .....

.....

Reason 2: .....

.....

Explanation: .....

.....[4]

- (c) (i) The data below is extracted from Dan's cash budget for December 2006. The variance is expressed as a percentage of the budget figure.

Complete the following table. You are advised to show your working.

[6]

Item	Budget figure (£)	Variance (%)	Variance (£)	Actual figure (£)
Cash inflow:				
Sales	3 200	20 Favourable		
Cash outflow:				
Petrol expenses	120	10 Adverse		
Purchase of materials	500	5 Adverse		

Show your working:

- (ii) Calculate the net total variance.

[3]

Show your working:

Net total variance = .....

(d) Analyse **each** of the variances identified in **part (c)(i)**.

Sales: .....

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Petrol expenses: .....

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Purchase of materials: .....

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[9]

[Total: 25]

- 5 (a) Ms Gupta has indicated to Dan that he should complete a SLEPT analysis in relation to the proposed expansion of his business.

Complete the SLEPT analysis grid for the proposed expansion of Dan's business identifying **two** likely factors for **each** element of SLEPT. [10]

<b>Social</b>	<b>1</b>	.....
	<b>2</b>	.....
<b>Legal</b>	<b>1</b>	.....
	<b>2</b>	.....
<b>Economic</b>	<b>1</b>	.....
	<b>2</b>	.....
<b>Political</b>	<b>1</b>	.....
	<b>2</b>	.....
<b>Technological</b>	<b>1</b>	.....
	<b>2</b>	.....







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