

**ADVANCED SUBSIDIARY GCE
APPLIED BUSINESS**

Unit 3: Understanding the Business Environment

F242

* C U P / T 6 4 5 3 0 *



Candidates answer on the question paper

OCR Supplied Materials:

- Clean copy Case Study

Other Materials Required:

- Calculator

**Thursday 8 January 2009
Morning**

Duration: 1 hour 30 minutes



Candidate Forename					Candidate Surname				
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Centre Number						Candidate Number			
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INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- Do **not** write in the bar codes.
- Write your answer to each question in the space provided.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **100**.
- The quality of written communication will be taken into account in marking your answer to the question marked with an asterisk (*).
- This document consists of **16** pages. Any blank pages are indicated.

Examiner's Use Only:

1			
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Total

- 1 (a) Anita's Tiny Tots is a sole trader business owned and managed by Anita Patel. State **three** ways in which a sole trader business differs from a limited company.

Way 1:

.....

Way 2:

.....

Way 3:

..... [3]

- (b) If Anita and Sandra form a partnership, identify and explain **two** reasons why it is advisable for them to draw up a formal partnership agreement.

Reason 1:

.....

Explanation:

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Reason 2:

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Explanation:

..... [4]

(c)* Evaluate whether or not Anita should enter into a business partnership.

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[12]

[Total: 19]

2 (a) Explain how the interests of Anita Patel conflict with those of:

- her employee, Sandra Bates;

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- her bank;

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- her suppliers.

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[9]

- (b) Although Anita is a law abiding and respectable member of the community, her 'cash in hand' payments to Amit and Sandra clearly represent 'black/hidden economy' transactions.

Evaluate the case for Anita ending these 'cash in hand' arrangements with Amit and Sandra.

[12]

[Total: 21]

- 3 Michael O'Connell, Anita's bank manager, had reservations about the informal way in which she has been running her business and her financial record keeping.

Identify and explain **three** reasons why Anita should formalise the financial aspects of her business.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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Reason 3:

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Explanation:

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[9]

- 4 (a) (i) Define each of the following terms:

- fixed costs;

- variable costs.

[4]

- (ii) Assuming that Anita trades for 50 weeks per year, complete the table below to calculate the annual fixed costs associated with Option One – opening the two additional market stalls. [3]

Market charges	£
Cost of van	£5 000
Cost of Sandra's wages	£
Total fixed costs	£

- (iii) Given the 100% mark up on variable costs, calculate the level of sales Anita would need to break-even from operating the two additional market stalls. [2]

Show your workings:

Level of sales:

- (b) The table below is extracted from the cash-flow forecast which Anita prepared as part of her application for a loan to finance Option Two – opening of the shop in Norford.

Complete the table.

[7]

All figures in £	July 2008	August 2008	September 2008
Cash Inflow			
-Own Savings	10 000	0	0
-Bank Loan	20 000	0	0
-Sales Revenue	0	7 500	9 000
Total Cash Inflow		7 500	9 000
Cash Outflow			
-Capital Expenditure	20 000	0	0
-Lease (Rent)	10 000	0	0
-Stock	5 000	5 000	5 000
-Wages	0		1 200
-Overheads Paid	300	300	300
Total Cash Outflow	35 300	6 500	6 500
Net Cash Flow		1 000	
Opening Balance	0		(4 300)
Closing Balance		(4 300)	

- (c) Analyse the case for drawing up a cash-flow forecast for a new venture such as Option Two – the opening of the new shop in Norford.
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[9]

[Total: 25]

- 5 (a) Complete a SWOT analysis for Anita's **existing** business as a stall holder in Norford market.
[8]

	SWOT
Strength 1	
Strength 2	
Weakness 1	
Weakness 2	
Opportunity 1	
Opportunity 2	
Threat 1	
Threat 2	

- (b) Identify and explain **two** reasons why a SWOT analysis is essential for a small business such as *Anita's Tiny Tots*.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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[6]

- (c) Evaluate the expansion options available to Anita Patel.

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[12]

[Total: 26]

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