

Candidate Name	Centre Number	Candidate Number
		2



**GCE AS/A level**

1601/01

**APPLIED BUSINESS  
UNIT ABUS1**

A.M. TUESDAY, 11 January 2011

2 hours

**For Examiner's use only**

<b>Section A</b>	/ 20
<b>Section B</b>	/ 80
<b>Total Mark</b>	/ 100

**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.

The examination consists of two sections. Candidates are required to answer **all** questions in Section A and Section B.

**Section A**      20 marks      Short-answer questions based on Claire Gish and her work.

**Section B**      80 marks      Short-answer and extended-answer questions based on Claire and her work.

**INFORMATION FOR CANDIDATES**

Quality of Written Communication will be assessed in the response to questions **9** and **12** in Section B.

Electronic calculators may be used.

**SECTION A**

Answer **all** questions in this section.



“Hello. My name’s Claire Gish. At the moment I work full-time for Hale Ltd, which makes digital and other instruments for car manufacturers. The company has struggled recently and is looking to cut costs so they’re offering some of us the chance to go part-time. This would suit me because my hobby is making clothing accessories such as belts and buckles, and I’d like to develop this hobby into my own small business.”

1. As a private limited company, *Hale Ltd*:
- A must stop trading if a director leaves
  - B has a separate legal existence
  - C must publish its accounts every 6 months
  - D cannot enter contracts under its own name

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

*Answer*

[1]

2. Claire and her colleagues are paid a monthly salary, regardless of the amount of work they do. *Hale Ltd*'s accountants will record these salaries as a:
- A fixed cost
  - B semi-variable cost
  - C stepped cost
  - D variable cost

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

*Answer*

[1]

3. Income Statements (Profit and Loss Accounts) of *Hale Ltd* show the amount of the company's:

- A cash
- B sales
- C assets
- D debtors

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

*Answer*

[1]

4. An activity by *Hale Ltd's* directors that is least likely to be entrepreneurial is:

- A identifying possible new business opportunities
- B possessing the ability to inspire employees
- C taking business risks on behalf of the company
- D checking the records of company employees

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

*Answer*

[1]

5. Match each type of business activity at *Hale Ltd* with the most appropriate software to carry it out (there will be one activity that you will **not** use) by writing the underlined words in the relevant box.

**Software:**

<b>Spreadsheet</b>

<b>Email</b>

<b>Database</b>

**Activity:**

- Informing employees of company holiday dates
- Recording information about a new supplier
- Creating a sales leaflet for all customers
- Calculating the profit margins on products

6. *Hale Ltd* is organised into functional areas.

(a) Outline **one** way in which the following pairs of functional areas are likely to work together **at *Hale Ltd***:

- Production **and** Finance [2]

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- Marketing **and** Administration [2]

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(b) Name **two other** functional areas that **this** business is likely to have. [2]

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7. The following are classes of finance that Claire could use to help develop her new business. Draw a line between each class of finance and the matching example. [1]

**Classes of finance**

Short-term

Medium-term

Long-term

**Examples**

Claire's own money invested in the business

Trade credit from a supplier of materials

An 18-month loan from a friend

8. Even though Claire hopes to become successful, she does not expect her new business to be innovative.

Suggest how Claire might be innovative in her business. [3]

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9. As she develops her hobby as a business, Claire will set herself the following business aim:

- To ensure my customers are satisfied with my products.

(a) State how Claire could monitor her achievement of **this** business aim. [1]

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(b) (i) Write **one other** business aim that would be appropriate for Claire in her first year of business. [2]

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(ii) Why is this a business aim and not a business objective for Claire? [2]

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**SECTION B**

*Answer all questions in this section.*



*“I’ve decided to accept the offer of working part-time at Hale Ltd, which will give me the time I need to turn my hobby into a business. I’ll name the business Claire’s Buckles & Bows and my first task will be to identify the resources that I’ll need.”*

1. Name an organisation that you have studied and describe briefly what it does. You will use this organisation to answer questions 2 and 3. [1]

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2. Outline the importance of the following resources to your chosen organisation, giving an example of each resource.

- Financial resources [3]

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- Physical resources

[3]

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- Informational resources

[3]

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3. Why are the resource requirements of your chosen organisation likely to differ from the resource requirements of *Claire's Buckles & Bows*? [5]

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*“I’ve decided to run Claire’s Buckles & Bows as a sole trader and at present I’m trying to write my business plan. My friend Ross was hoping to go into partnership with me but I’ve had to say no at the moment. Maybe if I’m successful and the business grows, Ross can join me in the future.”*

4. (a) Outline **one** reason why Claire should write a business plan for *Claire’s Buckles & Bows*. [2]

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- (b) Claire will start her business plan with an Executive Summary section.  
Name **three other** appropriate sections for the business plan of *Claire’s Buckles & Bows*. [3]

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5. (a) Outline **two** legal implications for Claire if *Claire's Buckles & Bows* operates as a sole trader. [4]

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- (b) Explain **one** advantage and **one** disadvantage to Claire if in future she changes *Claire's Buckles & Bows* to a partnership with her friend Ross. [6]

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*“I plan to sell my products using a number of outlets: on a market stall, at weekend craft fairs and using a website that a friend will set up for me. I’ll make and sell as wide a range of products as I can, including belts, scarves, hats and caps, and maybe some home-made jewellery items. I’ve worked out a few figures to see whether or not I’m likely to make a profit from the start.”*

6. Claire will sell over the internet. She will keep a record of all her sales and customers.

Outline how The Data Protection Act will affect Claire’s plan to sell over the internet.

[6]

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7. (a) Classify the following costs for *Claire's Buckles & Bows* by placing a tick (✓) in the **most** relevant column. [2]

Cost	Fixed	Variable
Claire's business vehicle insurance		
Printing price labels		
Leather used to make belts		
Claire's annual salary		

- (b) Claire uses electric power to make her products. Why is this cost likely to be **semi-variable**? [2]

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- (c) Name **one other** likely cost for *Claire's Buckles & Bows* that could be a **stepped** cost. State why this cost can be classed as '**stepped**'. [2]

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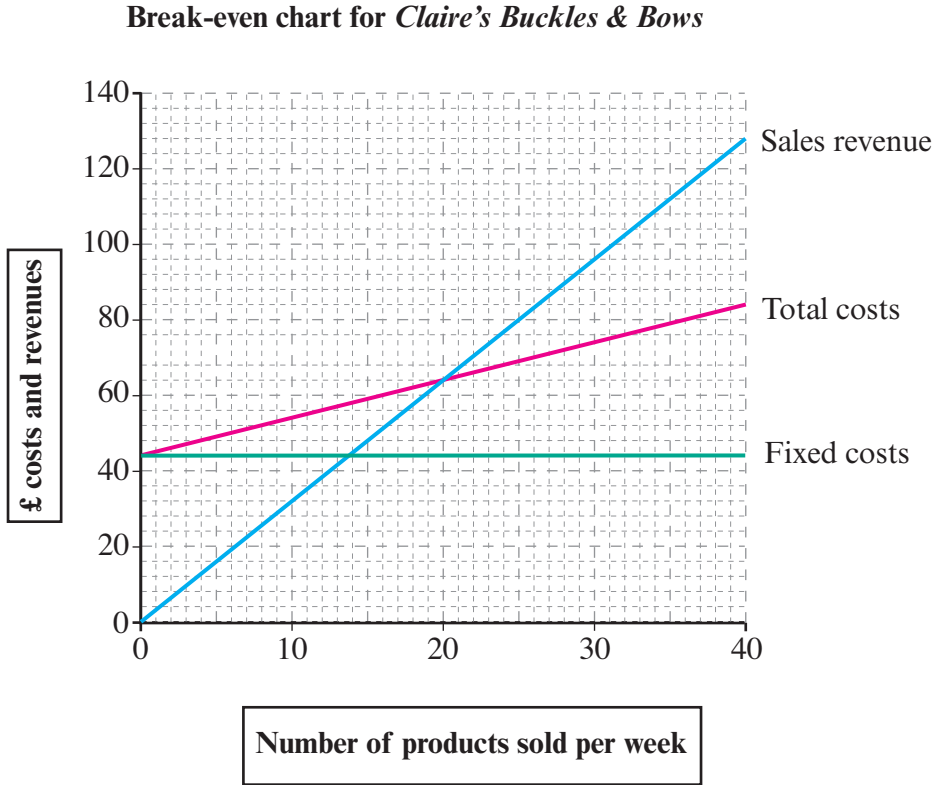
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8. Claire has produced the following break-even chart. It is based on the expected average revenue from, and cost of, the products she plans to make and sell.



Use the information in the break-even chart to answer the following questions.

- (a) How much are Claire's fixed costs? £ \_\_\_\_\_ [1]
- (b) Calculate the average variable cost of each product. £ \_\_\_\_\_ [1]
- (c) Calculate the average price charged by Claire for each product. £ \_\_\_\_\_ [1]
- (d) How many products must Claire sell each week to break even? \_\_\_\_\_ [1]
- (e) If Claire sells 28 items each week, what is her:
- margin of safety? \_\_\_\_\_ products [1]
- profit or loss? £ \_\_\_\_\_ [1]
- (State clearly whether it is a profit or a loss.)



10. Claire knows the importance of cash flow. She has estimated figures for the first six months as follows.

Month	Sales £	Materials £	Fixed costs £	Other costs £
1	580	120	185	145
2	640	140	185	158
3	670	155	185	170
4	700	165	185	182
5	740	180	185	195
6	780	190	185	208

Claire has the following information:

Types of inflows and outflows.

- Half the sales will be for cash, and the other half on credit. Her credit customers are allowed one month's credit.
- All materials will be bought on credit, and Claire has negotiated two months' credit with her suppliers.
- Fixed costs will be paid quarterly in advance, the first quarter's (three months) payment taking place in month 1.
- The other costs will be paid for in the month they are incurred.
- **In addition** to the above, in month 1 Claire will pay £240 for the machinery she needs to make her products.
- The estimated bank balance for *Claire's Buckles & Bows* will be £200 at the start of month 1.



Construct the cash flow forecast for *Claire's Buckles & Bows* for its first six months of trading. Use the table below. Your forecast must include total inflows, total outflows, net cash flows, opening and closing balances. [12]

<b>Item</b>	<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Month 4</b>	<b>Month 5</b>	<b>Month 6</b>

11. Claire **originally** calculated that she would have a closing cash balance of £1205 at the end of month 6. (Since doing this calculation, she has changed some of the figures.)

Claire thought this £1205 represented her profit. Using the information given in Question 10 about the types of inflows and outflows, complete the note below, explaining to Claire why her closing cash balance for the first six months will not be the same figure as her profit for the same period. [5]

*Hi Claire*

*Your closing cash balance for the first six months will not be the same figure as your profit for the same period because*

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