

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS/A level

1601/01

APPLIED BUSINESS

UNIT ABUS1

Paper version of on-screen assessment

P.M. WEDNESDAY, 11 January 2012

2 hours

For Examiner's use only

Section A	20
Section B	80
Total Mark	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 *Cassidy's Business Services*.

Section B 80 marks Short-answer and extended-answer questions based on *Cassidy's Business Services*.

INFORMATION FOR CANDIDATES

Quality of Written Communication will be assessed in the responses to questions 10 and 12 in Section B.

Electronic calculators may be used.

SECTION A

Answer all questions in this section.



Hello, I'm pleased to meet you. I'm Craig Wolfe, one of the partners who owns and runs CBS. As you know, the partnership's full name is Cassidy's Business Services, and we provide accountancy and other business services to clients based in this town. We're pleased you can join CBS for a period of work experience and I do hope you enjoy your time working with us.

1. *CBS* is an ordinary partnership. This means that
- A its profits are shared by all employees
 - B it works with the local authority
 - C it will have at least two owners
 - D there must be a written partnership agreement

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

Answer

[1]

2. *CBS* has started offering an online 'chat' service to answer questions from potential new clients. This is an example of *CBS*

- A franchising services
- B surveying stakeholders
- C monitoring targets
- D being innovative

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

Answer

[1]

3. The **best** example of a variable cost for *CBS* is the

- A rent payable on the business premises
- B stationery used to communicate with clients
- C monthly salary payments to employees
- D line rental charges for the telephones

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

Answer

[1]

4. The employees of *CBS* are an example of its

- A resources
- B entrepreneurs
- C liabilities
- D shareholders

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

Answer

[1]

5. The following are work tasks and work roles at *CBS*. Draw a line to match **each** work task with the correct work role. [1]

Work task

Work role

Setting up new work teams

Partner

Keeping employee records

Accounts clerk

Calculating a client's tax liability

Administration clerk

6. Craig Wolfe has set the following business aim for *CBS*.

- To increase profits.

State **one** way that Craig could check whether this business aim has been achieved. [1]

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7. The partners at *CBS* plan to obtain external finance to expand the business. Craig Wolfe is responsible for business planning. The present business plan for *CBS* contains the following sections.

- Executive summary
- Mission statement of *CBS*
- Business services currently provided

(a) Name **two other** sections that a lender of external finance is likely to want to see in the business plan for *CBS*. [2]

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(b) For **each** of the two sections named, give a reason why the lender will want to see it. [2]

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8. Work at *CBS* is organised according to the type of client. Examples of client-based teams are:

- Agricultural and Farm Accounts team
- Healthcare and Medical Accounts team
- Clubs and Charities Accounts team

Outline **two** likely benefits to *CBS* as a result of organising its work in this way. [4]

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9. *CBS* employees use a variety of business communications and other software. State **two** appropriate business uses by *CBS* employees for **each** item below. [6]

Item	Appropriate business use by <i>CBS</i>
CBS website	1.
	2.
Database software	1.
	2.
Desktop publishing software	1.
	2.

SECTION B

Answer all questions in this section.



I'm pleased that you are settling down here. It's quite a large business of its type, and business functions such as marketing and human resources play key roles in helping us to achieve our objectives. My colleagues have already told you that we work in a highly competitive market and therefore we have to identify new business opportunities.

1. Name an organisation that you have studied that does **not** provide accountancy services, and describe briefly what it does. You will use this organisation to answer questions 2, 3 and 4.

[1]

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2. Outline why the business objectives of your chosen organisation are likely to differ from those of *CBS*.

[2]

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3. Decide which **one** of the two business functions listed below you consider to be more important to the success of your chosen organisation. Explain why you have decided that this business function is more important **to your organisation** than the other one.

- Human Resources
- Marketing

[6]

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4. *CBS* operates in a highly competitive market and therefore the partners “have to identify new business opportunities”.

(a) State **two other** entrepreneurial skills or attributes that the partners of *CBS* need for the business to stay successful. [2]

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(b) To what extent are the entrepreneurial skills or attributes in (a) above important to **your chosen organisation**? [4]

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At CBS we believe that our employees should be fully involved in the business. They are efficient, and they know the constraints within which we work. I've recently discussed CBS's approach to quality with our employees, and we've agreed to set up quality circles. I think that employees will get a lot from being involved in quality circles.

5. Quality circles will be set up at CBS.

(a) What is meant by 'Quality circles'?

[2]

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(b) Outline how quality circles will benefit the **employees** of CBS.

[3]

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6. Describe, with examples, how the following are likely to affect the way in which *CBS* operates.

- Health and safety [5]

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- The need for confidentiality [5]

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You've joined us at our busiest time because we have to submit information about most of our clients' tax affairs by 31st January. It means that some people work long hours, and so we incur a lot of extra costs at this time of year: not only expenses such as the extra heating needed in winter-time, but also additional wage costs. The consolation is that, in a month or two, we receive our income from this work.

7. Craig has sent you the following memorandum about the work and cash flows for *CBS*.

***Cassidy's Business Services
Memo***

From: Craig Wolfe

To: Work Experience student

Here is the information that I promised you.

- CBS employees complete and submit yearly Tax Returns for clients – statements of the amounts of tax owed by CBS clients to the government. These Tax Returns must meet one of two deadlines: 31 October or the following 31 January.
- This means much of CBS's work is concentrated in the five months from September to January.
- A lot of overtime is worked, and must be paid for, during this period.
- Payments from clients are normally received by CBS two months after the work has been completed.
- The quietest time for work at CBS is February and March, with work remaining low until June, and so many employees take extra unpaid leave during this time.

What evidence does the memorandum contain regarding likely causes of cash surpluses and deficits for *CBS*? [6]

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8. The cash balances for *CBS* at the end of June in recent years were as follows.

End of June:	Cash balance (£)
2011	19 820
2010	18 841
2009	17 673
2008	16 892

Recommend **one** appropriate course of action for *CBS* if this trend continues, stating any benefits or drawbacks associated with the course of action you have recommended. [7]

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9. Craig has sent you the following memorandum.

**Cassidy's Business Services
Memo**

From: Craig Wolfe

To: Work Experience student

I would like you to construct a cash flow forecast from the following information for the first quarter of 2012.

- The opening cash balance at 1 January is £39 865
- Salaries:
 - January £32 800
 - February £27 650
 - March £26 800
- Expected overtime payments in January: £12 500.
- Rent and rates: £3 875 each month.
- Other costs: £5 000 January, £4 500 February and again in March
- Expected fee income from clients:
 - January, 21 clients at an estimated fee of £600 each
 - February, 53 clients at an estimated fee of £740 each
 - March, 114 clients at an estimated fee of £620 each
- Other receipts from clients: £500 each month.

Using this information, construct a cash flow forecast for the period January to March 2012. Use the table below. Your forecast must show total inflows, total outflows, net cash flows, opening and closing balances. [12]

Item	January	February	March



We find that many of our clients are very good at their work, but they often fail to understand some of the financial terms and ideas. This means that we not only help them with tax and other financial calculations, but we also need to provide them with important information about the financial world that affects them.

10. You have received the following email from Craig Wolfe.

The screenshot shows an email client window with a blue header and toolbar. The email details are as follows:

From:	Craig Wolfe
To:	Work Experience student
Subject:	Advice to clients
Sent:	Today

The email body contains the following text:

Can you please help? I want to send a letter to a number of CBS clients who, as you know, lack business knowledge - that's why they employ us!!!

Some clients get confused about liquidity, profitability and business budgets. I therefore want you to use your Applied Business knowledge to provide some information.

My secretary will 'cut & paste' this information into a letter sent under my name. All I need you to do is to send her some outline information under the following three headings:

1. The importance of liquidity to a business
2. The importance of profitability to a business
3. The main reasons why businesses set budgets

Thanks again for helping me out.

Craig.

Using the headings mentioned in Craig’s email, outline clearly the importance of **both** liquidity and profitability to a business, **and** the main reasons why businesses set budgets. [9]

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11. *CBS* clients each pay an average fee of £675. Craig estimates that the variable cost per client is £125 and that *CBS* has to meet £31 900 fixed costs every month.

Calculate:

- the number of clients each month that *CBS* needs in order to break even. [2]

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- the annual profit or loss made by *CBS* if it averages 70 clients a month (state clearly whether it is a profit or a loss). [2]

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12. *CBS* faces increasing competition from a recently established local firm. In response to this competition, Craig is planning to reduce the average client fees charged by *CBS* from £675 to £575.

Using the above information and the information in question **11**, assess the likely effects on *CBS* if this plan is adopted. [12]

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