

| | | |
|-------------|---------------|------------------|
| 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. MONDAY, 20 May 2013

2 hours

For Examiner's use only

| | |
|-------------------|-----|
| Section A | 20 |
| Section B | 80 |
| Total Mark | 100 |

1601
010001

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 *HiKlean*.

Section B 80 marks Short-answer and extended-answer questions based on *HiKlean*.

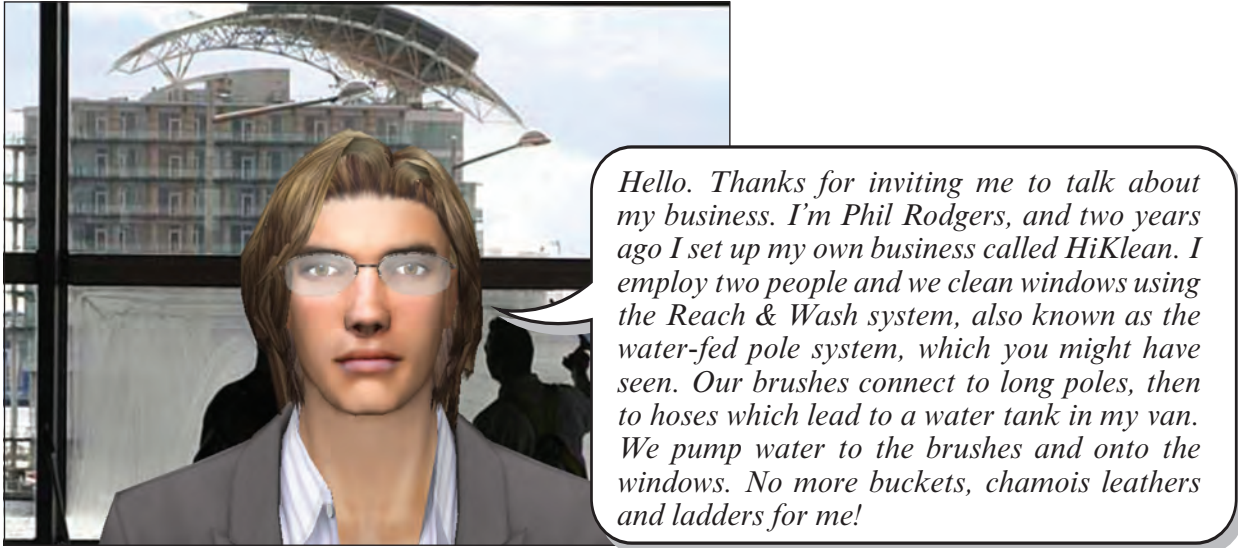
INFORMATION FOR CANDIDATES

Quality of Written Communication will be assessed in the responses to questions **10(b)** and **15** in Section B.

Electronic calculators may be used.

SECTION A

Answer **all** questions in this section.



1. *HiKlean* is a sole trader business. This means that
- A all losses must be shared by Phil and his employees
 - B Phil might have to pay the business's debts himself
 - C *HiKlean's* accounts are open to public inspection
 - D Phil should not really be employing anyone

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

Answer

[1]

2. A skill or quality that best shows that Phil is a business entrepreneur is when he
- A telephones his bank to check his bank balance
 - B works effectively with both his employees
 - C uses word processing software to write letters
 - D records his personal income and expenditure

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

Answer

[1]

3. Phil sets a purchases budget for *HiKlean*. This is a

- A revenue budget
- B cash budget
- C capital budget
- D cost budget

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

Answer

[1]

4. The liquidity position of *HiKlean* is shown by a

- A cash flow forecast
- B profit and loss account (income statement)
- C break-even chart
- D database

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

Answer

[1]

5. The following are examples of finance that Phil used when developing his business. Draw a line between each example of finance and the matching class of finance. [1]

Example of finance

Class of finance

A two-year bank loan

Short-term

Phil's own savings

Medium-term

Credit from a supplier

Long-term

6. At present, Phil does not have a written business plan for *HiKlean*.

(a) Outline **one** reason why Phil should have a written business plan for *HiKlean*. [2]

.....
.....
.....
.....

(b) Phil plans to include the following sections in his business plan:

- executive summary
- mission statement, aims and objectives
- history of *HiKlean*
- marketing plan
- financial plan

Name **one other** section that Phil should include in the business plan, giving a reason for your choice. [2]

.....
.....
.....
.....

7. From the list below, select the **three** features of the external environment that will have the **greatest** influence on the work of *HiKlean*. Place a tick in **three** boxes. [3]

- Phil drives his van to a garage to have a new tyre fitted
- The European Union passes a major new employment law
- A new cinema opens in a neighbouring town
- One of Phil's employees requests a half-day off to visit his father
- The UK government increases the rate of tax on alcohol
- The UK economy improves, resulting in pay increases for many
- A window cleaner in Phil's town changes to the Reach & Wash system

8. Phil wants to create a mission statement and aims or objectives for *HiKlean*, and display them on the website he has recently had set up. This website includes the following information.

HiKlean, the business

- *HiKlean* was established in 2011 and provides a quality window and other exterior cleaning service for business and domestic customers.

The Reach & Wash Cleaning System

- The Reach & Wash system produces 100% laboratory grade pure water, which absorbs all dirt on windows and dries to a perfect finish, leaving windows clean and without traces of chemicals or detergents.
- It is an environmentally friendly system which does not use detergents or chemicals, meaning that *HiKlean* cleaned windows stay cleaner for longer.
- Windows, plastic cladding and signs up to 20 metres high are cleaned from the ground – *HiKlean* reaches these windows and frames, cleaning over lawns and flowerbeds without damaging them.
- *HiKlean* cleans from ground level and so occupants are not disturbed and, because ladders are not required, all health and safety regulations are met.

Using the above information, create for *HiKlean*

- (a) an overall mission statement

[2]

.....

.....

.....

.....

(b) **three** aims or objectives

[6]

Examiner
only

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

BLANK PAGE

SECTION B

Answer all questions in this section.



As a sole trader, I carry out the main business functions myself except for part of the finance function. I employ an accountant because I can't produce proper financial accounts myself. When it comes to business matters I try to be as professional as possible, because there are quite a few other cleaning businesses competing against me. If I don't offer a quality service, my business customers in particular would quickly end my contracts with them.

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

[1]

.....

.....

.....

2. Name **two** business functions that apply to your chosen organisation, and for **each** function give an example of how it operates in your chosen organisation.

[4]

.....

.....

.....

.....

.....

.....

.....

.....

3. Analyse the importance to Phil of **one** business function named in your answer to question 2. [4]

.....

.....

.....

.....

.....

.....

.....

.....

.....

4. (a) What is meant by ‘quality’ in business? [2]

.....

.....

.....

.....

Phil’s approach to quality is to provide “a quality window and other exterior cleaning service for business and domestic customers”.

(b) Compare Phil’s approach to quality with the approach used by your chosen organisation. [4]

.....

.....

.....

.....

.....

.....

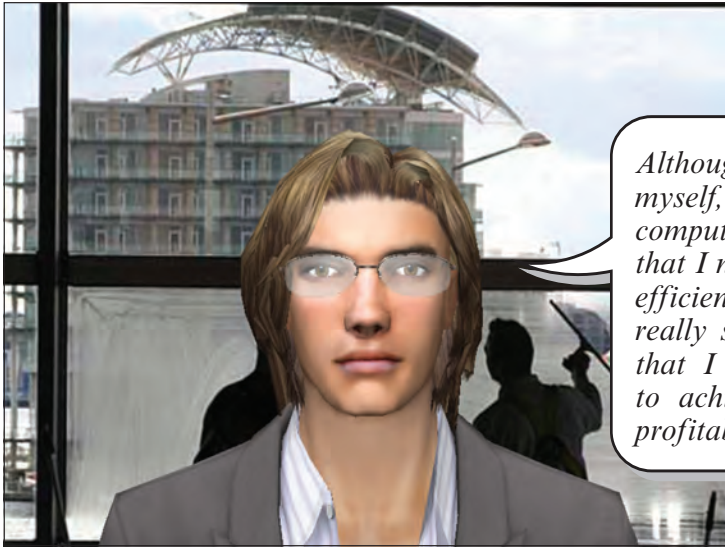
.....

.....

.....

.....

1601
010009



Although I have a website, I couldn't create it myself, so a friend helped me out. My general computer skills aren't good, and I'm aware that I need to be able to use business software efficiently if HiKlean is to grow and become really successful. I've also got to make sure that I use all HiKlean's business resources to achieve my goal of keeping HiKlean a profitable business.

- 5. Phil owns a laptop computer with business software, including word processing software, a database package, a spreadsheet package and a desktop publishing application. At present, Phil makes little use of this software.

Phil wants to improve his business efficiency in connection with suppliers and prospective new customers. For each, select an appropriate software package and explain how using this package will improve Phil's business efficiency.

- Suppliers [3]

.....

.....

.....

.....

.....

.....

- Prospective new customers [3]

.....

.....

.....

.....

.....

.....

6. Business software is an informational resource for *HiKlean*.

Outline the importance of each of the following resources to *HiKlean*, giving an example of each resource used in **this** business.

- Financial resources [3]

.....

.....

.....

.....

.....

.....

.....

- Physical resources [3]

.....

.....

.....

.....

.....

.....

.....

- Human resources [3]

.....

.....

.....

.....

.....

.....

.....



I've been using an old van for transport, which isn't really suitable for what I need. Also, the water tank and water heater both need replacing. Now that HiKlean is an established business, I think I can afford to upgrade my vehicle and its equipment. I'll ask my accountant to work out a few figures and to explain them to me.

7. Phil's accountant wants to construct a break-even chart for *HiKlean*. To do so, she must classify *HiKlean*'s costs.

(a) Classify the following costs for *HiKlean* by entering a tick into the appropriate column for each cost. [2]

| Cost | Fixed | Variable |
|--|-------|----------|
| A Employee monthly salaries | | |
| B Insurance for the vehicle | | |
| C Diesel fuel for the vehicle | | |
| D Water heating and filtering costs (£4 per 1000 litres) | | |

(b) If *HiKlean* continues to grow, which **two** of the above costs are most likely to become stepped? Please tick the appropriate boxes. [2]

A B C D

8. Phil’s accountant has calculated that each of *HiKlean’s* cleaning contracts produces an average contribution of £6.15, and that the fixed costs for *HiKlean* average £640.00 each month.

Using the memorandum below, explain on behalf of the accountant the terms ‘contribution’ and ‘fixed costs’. [4]

MEMO

| | |
|-----------------------------|-------------------------|
| From: Accountant | To: Phil Rodgers |
| Re: Meaning of terms | Date: Today |

The meanings of the two terms you asked about are as follows:

.....

.....

.....

.....

.....

.....

.....

.....

.....

9. (a) Using the figures given in question 8, calculate the number of monthly contracts that *HiKlean* needs in order to break even. [2]

.....

.....

.....

.....

- (b) Give **two** reasons why **this** break-even figure is **not** likely to be 100% accurate. [2]

.....

.....

.....

.....

10. Phil has just received an invoice for an insurance cost he has to pay. This **yearly** cost has increased by £180. Phil also knows that his variable costs are about to increase by 15p per cleaning contract.

(a) Using the figures given in question 8 and the increased costs given above, calculate the **new** number of monthly contracts that *HiKlean* will need in order to break even. [3]

.....

.....

.....

.....

.....

.....



My accountant has a summary of my income and costs for last year, and she wants to check whether I'm going to be able to meet any additional borrowing costs if I decide to upgrade my vehicle and equipment. She's also interested in whether HiKlean is becoming more profitable or less profitable, and I must say that I'm very keen to see the results of her work!

11. Some financial information, that Phil's accountant has, is shown below:

| Item | As at 31 December 2012 |
|--|------------------------|
| Total current assets | £4 345 |
| Total current liabilities | £3 990 |
| Total non-current (fixed) assets | £11 230 |
| Total non-current (long-term) liabilities | £7 400 |
| Total inventories (stocks) | £375 |
| Contract income for the year (sales for the year) | £97 285 |
| Cost of contract income for the year (cost of sales) | £22 050 |
| Profit for the year (net profit) | £31 575 |
| Payables collection period (creditor payment) | 63 days |

Identify, with a reason, which **one** of the items in this table is most important to Phil as a sole trader. [2]

.....

.....

.....

.....

.....

.....

12. Using the information from the table in question 11, calculate the following for *HiKlean*.

- Gross profit for the year [1]

.....

.....

- Net current assets (working capital) [1]

.....

.....

- Acid test ratio [2]

.....

.....

- Profit in relation to revenue (net profit margin) [2]

.....

.....

13. What is meant by “Payables collection period (creditor payment) 63 days”? [2]

.....

.....

.....

.....

14. Explain **one non-financial** item of information that Phil should use in order to make a fuller judgement of the performance of *HiKlean*. [3]

.....

.....

.....

.....

.....

.....

