

AS Business 7131/1

Paper 01 Business 1

Specimen 2014

Morning

1 hour 30 minutes

Materials

For this paper you must have:

- a calculator.

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the bottom of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around in each or on blank pages.
- Do all rough work in this answer book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80.

Please write clearly, in block capitals, to allow character computer recognition.

Centre number

Candidate number

Surname

Forename(s)

Candidate signature _____


Section A


Answer **all** questions in this section.

Only **one** answer per question is allowed.

For each answer completely fill in the circle alongside the appropriate answer.

CORRECT METHOD  WRONG METHODS    

If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

0 1

A business collects information from a small group of customers in order to discover why they like a particular product. This is an example of which type of marketing research?

- A Qualitative, primary market research
- B Qualitative, secondary market research
- C Quantitative, primary market research
- D Quantitative, secondary market research

[1 mark]

0 2

On what is a piece rate system of payment based?

- A The amount of overtime worked
- B The company's profit level
- C The number of hours worked
- D The number of items produced by the employee

[1 mark]

0 3

What are the features of a 'cash cow' in the Boston Matrix?

- A High market share in a high-growth market
- B High market share in a low-growth market
- C Low market share in a high-growth market
- D Low market share in a low-growth market

[1 mark]**0 4**

Price skimming involves setting a price that:

- A is most appropriate when demand is price elastic
- B allows a firm to target the mass market with a low price
- C is high in order to ensure a high profit margin
- D is suitable for a product in the decline stage of its product life cycle.

[1 mark]**0 5**

According to Herzberg's 'two factor theory' of motivation, which **one** of the following is a 'motivator'?

- A Better working conditions
- B Greater promotion prospects
- C Higher basic pay
- D More job security

[1 mark]**0 6**

Opportunity cost is defined as:

- A the next best alternative
- B the initial cost of an investment
- C the money spent on the choice made
- D the average cost of a new idea.

[1 mark]

0 7

Which of the following will result in an adverse variance?

- A Actual expenditure on fuel lower than in the budget
- B Actual raw material costs higher than the budgeted figure
- C Sales revenue actually received greater than in the budget
- D Budgeted wages less than actual wages

[1 mark]

0 8

An airline's average capacity utilisation on its London to Madrid route is 74%. The planes used for this route carry an average of 296 passengers per flight. What is the capacity of the planes used on this route?

- A 219 passengers
- B 322 passengers
- C 370 passengers
- D 400 passengers

[1 mark]

0 9

Table 1 refers to four different products in the product portfolio of a business.

Table 1 Information for four products

Product	Price elasticity of demand	Income elasticity of demand
A	-1.8	+1.8
B	-1.8	+0.3
C	-0.3	+1.8
D	-0.3	+0.3

Which **one** of the products in **Table 1** is most likely to be a luxury product with many close substitutes?

- A Product A
- B Product B
- C Product C
- D Product D

[1 mark]

1	0
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What is the re-order level in inventory control?

A The time at which new inventory is ordered

B The amount of new inventory that is ordered

C The amount of inventory that leads to a new order being placed

D The time at which inventory levels reach zero

[1 mark]

**QUESTION 10 IS THE LAST
QUESTION IN SECTION A.**

Section B starts on the next page.

Section B

Answer **all** questions in this section.

1	1
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Explain **one** possible use of market mapping for a new sports shop.

[4 marks]

1	2
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The following data applies to a small business.

- Selling price = £18
- Variable costs per unit = £6
- Break-even output = 550 units

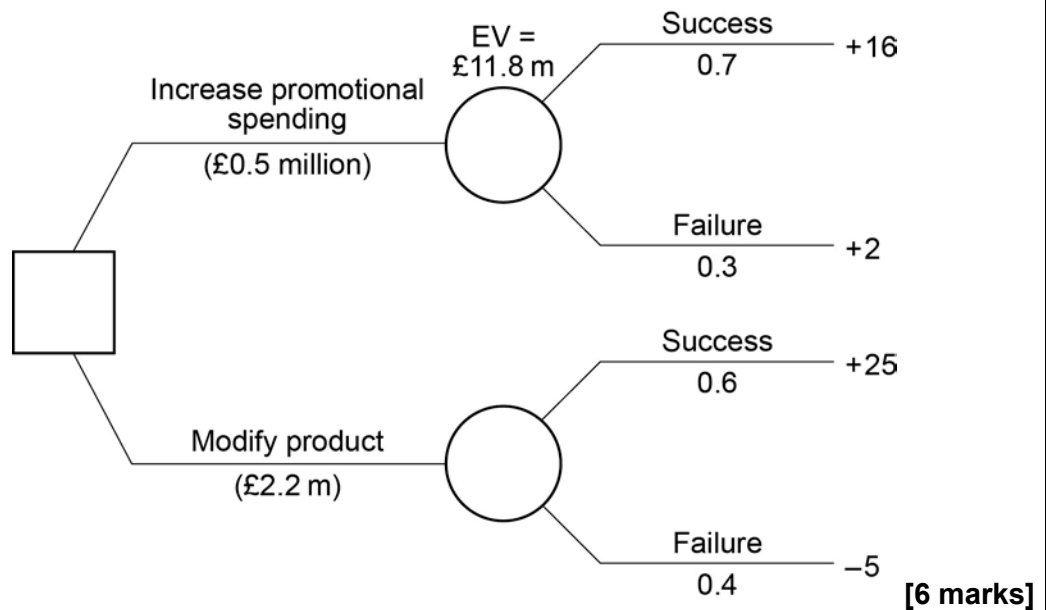
Calculate the fixed costs of the business. Show your workings.

[5 marks]

1 3

The net gain for a business of increasing promotional spending is £11.3 million. Referring to **Figure 1**, calculate the expected value and the net gain of modifying the product. Using these calculations, advise the business which one of the two options it should choose. Show your workings.

Figure 1 Decision Tree



Section C

Answer **all** questions in this section.

1	5
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Nissan UK

Nissan Motors, the Japanese vehicle manufacturer, recently invested heavily in developing a new model of a car called the Invitation. This model is designed to compete with the VW Polo and Ford Fiesta. Nissan has decided to build the Invitation at its Sunderland factory. This factory has the highest labour productivity in Europe. The new jobs from this latest investment will take the number of staff there from an average of 5600 in 2012 to 6000 in 2013.

Three years ago the recession had led to Nissan reducing production and cutting 1200 jobs at Sunderland, so how has the company managed to turn things round?

The leadership at Nissan has developed and launched successful cars: the Qashqai model has proved particularly popular globally. Nissan's Head of Production in Europe said that, despite difficult conditions in Europe, "the market has grown by 4%, and our market share has grown by 25%. The market proves if you have got a good car at a competitive price, you can grow".

The employer–employee relations at Nissan's Sunderland factory are exceptional and labour turnover is at a record low level of 3.6%. This has led to further investment taking place at Sunderland rather than at Nissan factories in other countries.

The current weakness of the pound makes the UK an attractive place to manufacture, adding to Nissan's profit margins. The car industry now represents nearly 10% of total UK exports with nearly 80% of car production being exported, particularly to emerging economies such as Russia.

Government policy has helped Nissan. The government is providing a £9.3m grant to support the company's £125m investment in Sunderland.

Nissan has high-capacity utilisation; this is unusual as there is significant over capacity in the car industry.

1 5

. 1

Analyse the possible reasons why Nissan has invested heavily in developing a new model of car.

[9 marks]

Extra space

1 6

Royal Mail plc

Royal Mail plc provides postal services throughout the UK. Until recently Royal Mail was a government-owned public corporation but in October 2013 it was privatised, transferring ownership from the public to the private sector. At the moment Royal Mail plc still has a legal obligation to deliver post six days a week and at the same price to every address in the UK.

When Royal Mail was privatised the demand for its shares was so high that applicants were limited to a maximum of 227 ordinary shares at a total cost of £750. In total 1 billion shares were sold to private individuals and other businesses, valuing the company at £3.3 billion. Over 10% of the 1 billion shares available were re-sold by shareholders in the first hour of trading and the share price immediately rose.

The most recent accounts of the company show that between April and September 2013 Royal Mail's profits were £283 million, almost double the £144 million earned in the same period in 2012. It had also reduced its loans by 20% and improved its cashflow position, which should enable it to pay high dividends. After the publication of these accounts (which occurred after the privatisation) the company's share price rose again to £5.60 per share.

From July to September 2013 Royal Mail's sales rose by 9%, mainly due to a large increase in revenue from its parcels business. Parcels now account for over 50% of Royal Mail's revenue and this figure is expected to continue to rise with increases in online shopping.

However, conflict between Royal Mail and its employees remains. The Communication Workers Union (CWU) wants higher pay rises, greater job security and protection of pension schemes for Royal Mail employees. Approximately 115 000 of Royal Mail's 150 000 staff are members of the CWU trade union.

Analysts claim the business needs more investment to continue modernising and changes to its management style to achieve greater productivity.

1 6

. 1

Analyse how transferring ownership of Royal Mail from the public to the private sector might affect its stakeholders.

[9 marks]

Extra space

END OF QUESTIONS

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