OXFORD CAMBRIDGE AND RSA EXAMINATIONS

AS Level

H031/01

BUSINESS

The local business environment

THURSDAY 19 MAY 2016: Afternoon

TIME ALLOWED: 1 hour 30 minutes
plus your additional time allowance

MODIFIED ENLARGED

First name		Last name	

Centre number						Candidate number				

YOU MUST HAVE:
the Resource Booklet

YOU MAY USE:
a calculator

READ INSTRUCTIONS OVERLEAF

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INSTRUCTIONS

Use black ink.

Complete the boxes on the first page with your name, centre number and candidate number.

Answer ALL the questions.

Write your answer to each question in the space provided. If additional space is required, use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.

The Resource Booklet is required for SECTION B only.

INFORMATION

The total mark for this paper is 60.

The marks for each question are shown in brackets [ ].

Quality of extended responses will be assessed in questions marked with an asterisk (*).

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SECTION A

Answer ALL the questions. Put a tick (✓) in the box next to the ONE correct answer for each question.

1 Fairhurst Nursing Home is run by its local government authority. Fairhurst Nursing Home is an example of:

(a) a primary organisation in the public sector ☐

(b) a primary organisation in the third sector ☐

(c) a tertiary organisation in the public sector ☐

(d) a tertiary organisation in the third sector ☐

[1]

2 One way to improve quality in the manufacturing process is to:

(a) avoid benchmarking ☐

(b) improve on-the-job training ☐

(c) use lean production techniques ☐

(d) work at maximum capacity ☐

[1]

3 Which of the following is a non-financial measure of a business' performance?

(a) Economic growth ☐

(b) Net profit ☐

(c) Productivity ☐

(d) Sales revenue ☐

[1]

4 In April 2016 Macklow Paint Ltd had a total output of 40 million tonnes of paint.
Its wastage rate was 0.8%.

The amount of paint wasted by Macklow Paint Ltd in April 2016 was:

(a) 0.32 million tonnes ☐

(b) 0.5 million tonnes ☐

(c) 3.2 million tonnes ☐

(d) 5 million tonnes ☐

[1]

5 Which of the following is an INTERNAL cause of uncertainty in a business?

(a) A change in interest rates ☐

(b) A change of legal status ☐

(c) A general election ☐

(d) A new competitor ☐

[1]

6 Turners plc manufactures pet food.
The variable cost of making one can of dog food is £0.09.
Turners plc sells the dog food to its wholesalers for £0.16 per can.

The contribution to Turner plc's fixed costs of one can of dog food is:

(a) 1.8p ☐

(b) 7p ☐

(c) 16p ☐

(d) 25p ☐

[1]

7 **Which of the following is an advantage of trading online rather than trading from town centre premises?**

(a) **Barriers to exit will be higher** ☐

(b) **Decision-making is likely to be more flexible** ☐

(c) **Less advertising will be required** ☐

(d) **Overheads are likely to be lower** ☐

[1]

8 A printing company wishes to invest in new technology at a cost of £750 000. Forecasted net cash-flow figures are shown in the table below.

YEAR	FORECASTED NET CASH FLOW
0	(£750 000)
1	£200 000
2	£300 000
3	£500 000
4	£750 000

Based on the forecasted figures the payback period for this investment will be:

(a) 2 years ☐

(b) $2\frac{1}{2}$ years ☐

(c) 3 years ☐

(d) $3\frac{1}{2}$ years ☐

[1]

9 An exchange rate measures:

(a) the cost of borrowing money from the bank ☐

(b) the price of one currency in terms of another ☐

(c) the rate at which prices are rising in the shops ☐

(d) the relationship between risk and reward ☐

[1]

10 Zedno sells children's clothing. Its sales revenue for 2015 was £600 000. Its cost of sales and expenses for the same period were £200 000 and £250 000 respectively.

Zedno's net profit margin for 2015 was:

(a) 4% ☐

(b) 25% ☐

(c) 33.3% ☐

(d) 75% ☐

[1]

11 HBM plc is a property development company that specialises in the building of small starter homes. Which of the following is a social factor that might increase the demand for HBM plc's homes?

(a) A government grant to help first-time buyers ☐

(b) An increase in the number of single parent families ☐

(c) Credit from banks being more easy to obtain ☐

(d) Providing a glossy brochure for prospective buyers ☐

[1]

12 Which of the following could be found on a product life cycle diagram?

(a) An economic boom ☐

(b) Internal economies of scale ☐

(c) Market saturation ☐

(d) The break-even point ☐

[1]

13 Clarkitt Publications is a multinational newspaper printing company. One way Clarkitt Publications could act in an environmentally sustainable way is by:

(a) continuing to operate profitably ☐

(b) donating to an animal welfare charity ☐

(c) ensuring its aims and objectives remain unchanged ☐

(d) starting a tree planting programme ☐

[1]

14 360° assessment is:

(a) an aptitude test for new recruits ☐

(b) an employee performance review technique ☐

(c) an International Standards (ISO) quality standard ☐

(d) an investment appraisal method ☐

[1]

15 Bamford Sweet Shop's predicted revenue for 2015 was £180 000.
Its actual revenue was £152 000. Bamford Sweet Shop's revenue budget variance (to one decimal place) for 2015 is:

(a) 15.6% adverse ☐

(b) 15.6% favourable ☐

(c) 18.4% adverse ☐

(d) 18.4% favourable ☐

[1]

SECTION B

Answer ALL the questions.

Use the information provided in the RESOURCE BOOKLET to answer the following questions.

16 (a) State TWO benefits to Faik of being an entrepreneur.

1 _____

_____

2 _____

_____

[2]

(b) Explain TWO risks faced by an entrepreneur.

1 _____

_____

_____

_____

2 _____

_____

_____

_____

[4]

17 Explain ONE benefit to Faik of having a business mentor while he was setting up Wild Fangs.

_____

_____

_____

_____ **[2]**

18* Evaluate the importance to Wild Fangs of providing high-quality customer service. [12]

19 Refer to EXTRACT C. Wild Fangs normally receives three bookings per month for one-hour birthday parties. The price elasticity of demand is estimated to be –3.75.

(a) Calculate the annual revenue that Wild Fangs gains from birthday party bookings.

_____

_____

_____

_____

Answer: _____ [2]

(b) Calculate the number of birthday party bookings Wild Fangs is likely to receive in one year if it decreases its price for birthday parties to £96 per hour.

Answer: _____ [3]

20* Evaluate the extent to which Wild Fangs' promotional activities are likely to be effective. [20]

END OF QUESTION PAPER

ADDITIONAL ANSWER SPACE

If additional space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s).

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