

**Wednesday 9 January 2019 – Afternoon**

**LEVEL 3 CAMBRIDGE TECHNICAL IN BUSINESS**

**05834/05835/05836/05837/05878** Unit 1: The business environment

**Duration: 2 hours**

**C420/1901**



**You must have:**

- a clean copy of the pre-release (Insert C421)

**You may use:**

- a calculator

First Name						Last Name				
Centre Number						Candidate Number				
Date of Birth	D	D	M	M	Y	Y	Y	Y		

**INSTRUCTIONS**

- Use black ink.
- Complete the boxes above with your name, centre number, candidate number and date of birth.
- Answer **all** the questions.
- Write your answer to each question in the space provided.
- Additional paper may be used if required but you must clearly show your candidate number, centre number and question number(s).
- The pre-release research brief is required for **Section B** only.

**INFORMATION**

- The total mark for this paper is **90**.
- The marks for each question are shown in brackets [ ].
- This document consists of **20** pages.

FOR EXAMINER USE ONLY	
Question No	Mark
Section A: 1-20	/20
Section B: 21	/2
22	/4
23	/4
24	/6
25	/4
Section C: 26	/1
27	/2
28	/2
29	/12
30	/5
31	/14
32	/14
<b>Total</b>	<b>/90</b>

**Section A**

Answer **all** the questions. Put a tick (✓) in the box next to the **one** correct answer for each question.

1 Which of the following is an example of a tertiary sector business?

(a) A car manufacturer

(b) A dairy farm

(c) A fishing fleet

(d) A pet shop

[1]

2 Which of the following sources of finance is **not** available to a partnership?

(a) Bank loan

(b) Credit card

(c) Share issue

(d) Trade credit

[1]

3 Which of the following is shown on a company's organisation chart?

(a) The aims of the business

(b) The chief executive's attitude to risk

(c) The salaries of employees

(d) The status level of different job roles

[1]

4 A private limited company:

(a) cannot use crowd-funding

(b) does not pay tax

(c) is owned by shareholders

(d) sells its shares on the stock exchange

[1]

5 Which of the following would increase a firm's break-even point?

(a) Giving employees a pay rise

(b) Increasing selling prices

(c) Paying a lower rent

(d) Using a cheaper supplier

[1]

6 The liability of a sole trader is:

(a) centralised

(b) decentralised

(c) limited

(d) unlimited

[1]

7 A mortgage is:

(a) a long-term source of finance

(b) a risk-free form of borrowing

(c) a short-term loan

(d) an internal source of funds

[1]

8 Which of the following is a key feature of a public sector organisation?

(a) It does not have financial objectives

(b) It is funded by taxation

(c) It must share profits between the owners

(d) It operates as a charity

[1]

9 A customer service assistant who works for a theme park is **most** likely to:

(a) deal with visitor enquiries

(b) make staff redundant at the end of the season

(c) order stock for the gift shop

(d) update the technology which controls the rides

[1]

10 Bardicot Ltd's cash flow statement for the last three months of trading is shown below.

	October	November	December
<b>Cash inflows</b>	£40000	£45000	£50000
<b>Cash outflows</b>	£36000	£38000	£42000
<b>Net cash flow</b>	£4000	£7000	£8000
<b>Opening balance</b>	(£10000)	(£6000)	£1000
<b>Closing balance</b>	(£6000)	£1000	£9000

Which one of the following statements is true?

(a) Net cash flow has worsened dramatically over the last three months

(b) Sales revenue has fallen over the last three months of trading

(c) The closing balance in December was higher than the opening balance in October

(d) The company's bank balance was overdrawn in November and December

[1]

**11** The legal form of ownership of a business trading as 'Tritian plc' is:

(a) a not-for-profit organisation

(b) a partnership

(c) a private limited company

(d) a public limited company

[1]

**12** An online seller is conducting a SWOT analysis. The online seller identifies that he has far less business experience than his competitors.

In the SWOT analysis this would be recorded as a business:

(a) strength

(b) weakness

(c) opportunity

(d) threat

[1]

**13** Which of the following is a financial factor that could affect the success of a sports shop?

(a) Breaching the Consumer Rights Act

(b) Charging high prices

(c) Specialising in golf and football equipment

(d) Using the latest stock control technology

[1]

14 Which of the following documents would include a competitor analysis?

(a) A business plan

(b) A cash flow forecast

(c) An income statement

(d) An organisation chart

[1]

15 In a **large company** the research and development function is **most** likely to work with the operations management function to:

(a) develop new manufacturing processes

(b) provide administrative support

(c) recruit production operatives

(d) source cheaper raw materials

[1]

16 Which one of the following is the **most** likely consequence to a business of not listening to its trade unions?

(a) Customers stop buying from the business

(b) Environmental pressure groups start protesting

(c) Local residents complain

(d) Workers go on strike

[1]

**17** One way a large organisation could act ethically is by:

(a) complying with the Equality Act

(b) increasing its margin of safety

(c) paying the minimum wage

(d) providing humanitarian aid

[1]

**18** Which of the following would be classified as internal stakeholders of a public limited company?

(a) Local government officers

(b) Shareholders

(c) Suppliers

(d) The board of directors

[1]

**19** Revenue is:

(a) the amount of tax paid to central government

(b) the balance of funds held in a firm's bank account

(c) the cash left over after all expenses have been paid

(d) the income received from selling goods or services

[1]

**20** Which of the following is an example of a concentration risk?

- (a) Employing too many staff
- (b) Giving insufficient thought to business planning
- (c) Relying on a single supplier
- (d) Selling to a large number of customers

**[1]**



**Section B**

Answer **all** the questions in this Section.

All of the questions in this Section should be answered in relation to businesses you have researched. A clean copy of the research brief is provided.

**21** Identify **two** social factors that have affected a business you have researched.

**Name of business**.....

**Activity of business** .....

1 .....

2 .....

**[2]**

**22** Describe **two** tasks performed by the finance function in a business that you have researched.

**Name of business**.....

**Activity of business** .....

1 .....

2 .....

**[4]**

**23** Identify **two** external stakeholder groups that have attempted to alter the behaviour of a business you have researched. In each case, state the method used by the stakeholder group to try and alter the behaviour of the business.

**Name of business** .....

**Activity of business** .....

External stakeholder group 1 .....

Method used .....

.....

External stakeholder group 2 .....

Method used .....

.....

**[4]**

**24** Analyse **one** advantage and **one** disadvantage to a business that you have researched of being organised by function.

**[6]**

**Name of business** .....

**Activity of business** .....

Advantage .....

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Disadvantage .....

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**25** Explain how a business that you have researched is affected by changes in exchange rates.

**Name of business** .....

**Activity of business** .....

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**[4]**

**Section C**

Read the Scenario below. Answer **all** the questions in this Section.

**Business scenario: *Playwright***

*Playwright*, a social enterprise, is a youth theatre. It offers young people in its local area, aged 9 to 19 years, the chance to explore a wide range of experiences, including scriptwriting, acting, stage lighting and sound, marketing and ticket sales.

*Playwright* was set up in January 2013 by Fabia Previn, the organisation's sole director. Fabia decided against applying for registered charity status. Instead, *Playwright* operates as a community interest company (CIC). Start-up funds came from crowd-funding and a bank loan. A statement of *Playwright*'s financial position for the last three years is shown in **Fig. 1** overleaf.

*Playwright* continues to operate because of the generosity of over 40 adults who volunteer their time free of charge. Fabia co-ordinates the team of volunteers and, working full-time for *Playwright*, takes a small salary of £15 000 per year. *Playwright* has a flat organisational structure.

*Playwright*'s young people are currently rehearsing for 'Hope in the Rain', their next show. With only a fortnight to go, tickets are on sale to the public but sales are slow.

Final preparations are well behind schedule and Fabia is concerned about health and safety. In the last week there have already been the following minor incidents.

- Ellie got sawdust in her eye while using a power saw to cut a newly purchased piece of plywood into the shape of a garden gate for the opening scene.
- Phao trapped his finger in the printer when printing the tickets. He was trying to save time by loading more coloured paper and a new ink cartridge into the printer at the same time.
- Sam gashed her hand on the dressmaking scissors while rushing to cut the new gold fabric bought especially to make the lead actor's jacket.
- Tom injured his knee when he tripped over a trailing microphone cable while carrying a broken sewing machine. He was taking the sewing machine to the back yard to add to the pile of unwanted props from a previous show which were waiting to be taken to landfill.
- Keogh slipped on some water he had spilt on the kitchen floor while making coffee for a mid-rehearsal break. He also narrowly avoided getting burnt on the oven. It had been used the previous evening to make cookies to be sold as refreshments on the day of the show. The oven had accidentally been left on overnight.

**Fig. 1: Statement of financial position for *Playwright* as at 31 December 2017 – 2015**

	2017		2016		2015	
	£	£	£	£	£	£
<b>Non-current assets</b>						
IT equipment (net book value)	3175		5175		7175	
Theatrical and other equipment	10800		7000		4500	
		13975		12175		11675
<b>Current assets:</b>						
Trade receivables	26		28		24	
Cash at bank	1323		2641		3537	
Prepayment of rent	-		1800		3000	
		1349		4469		6561
<b>Less amounts falling due within one year:</b>						
Trade payables	324		144		36	
Accrual of rent	500		-		-	
		824		144		36
<b>Less amounts falling due after more than one year:</b>						
Bank loan		6000		10000		14000
<b>Net assets</b>		<b>8500</b>		<b>6500</b>		<b>4200</b>
<b>Capital:</b>						
Share capital	100		100		100	
Retained profits	8400		6400		4100	
<b>Total equity</b>		<b>8500</b>		<b>6500</b>		<b>4200</b>

All of the questions in Section C should be answered in relation to the business scenario on pages 12 and 13.

**26** Businesses can be categorised into the following three sectors of operation:

- private sector
- public sector
- third sector.

Identify *Playwright's* sector of operation.

.....[1]

**27** Identify **two** benefits to *Playwright* of operating as a community interest company (CIC).

1 .....

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2 .....

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[2]

**28** Explain how *Playwright's* flat organisational structure may affect its communication paths.

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.....[2]

**29** Using the information in **Fig. 1** and any other relevant information, assess the extent to which *Playwright's* current financial position is a cause for concern.

[12]

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A series of horizontal dotted lines for writing, spanning the width of the page.

**30** The estimated costs and revenues for *Playwright's* next show are:

- total fixed costs: £150
- variable costs: £0
- ticket price: £4 each.

**(a)** Calculate the number of tickets *Playwright* needs to sell for this show to break even.

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.....  
.....  
.....[2]

**(b)** Calculate the profit *Playwright* will make if 60 tickets are sold.

.....  
.....  
.....[1]

**(c)** Identify **two** marketing activities that could support ticket sales for the show.

1.....  
.....  
2.....  
.....[2]

**31 (a)** Identify **two** ways *Playwright* could comply with the Health and Safety at Work Act.

1.....  
.....  
2.....  
.....[2]









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