

Tuesday 14 May 2019 – Morning

LEVEL 3 CAMBRIDGE TECHNICAL IN BUSINESS

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

Time allowed: 2 hours
C420/1906



You must have:

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

You may use:

- a calculator

Please write clearly in black ink.

Centre number

Candidate number

First name(s) _____

Last name _____

Date of Birth

INSTRUCTIONS

- The Insert will be found inside this document.
- Use black ink.
- Answer **all** the questions.
- Write your answer to each question in the space provided.
- If additional answer space is required, you should use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.
- 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 **24** 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	/4
27	/6
28	/12
29	/4
30	/12
31	/12
Total	/90

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 a way of improving a firm's ethical profile?

(a) Applying for planning permission

(b) Paying taxation

(c) Sponsoring a cultural event

(d) Using a venture capitalist

[1]

2 Which one of the following employees would be in charge of planning the day-to-day activities of a department?

(a) A director

(b) A manager

(c) A supervisor

(d) An assistant

[1]

3 The employees at a convenience store are **most** likely to want the business to:

(a) charge low prices

(b) pay high wages

(c) restrict its opening hours

(d) stock high quality products

[1]

4 Which of the following is a **non-legal** consequence of failing to meet the requirements of the Consumer Protection Act?

(a) A fine

(b) Court costs

(c) Loss of customers

(d) Paying compensation

[1]

5 Supina, a sole trader, makes novelty jumpers. Supina predicts that she will be able to make and sell the following in the coming year:

Product	Quantity	Price
Men's jumpers	14	£40
Women's jumpers	26	£35
Children's jumpers	72	£24

If the costs for the business total £4000, the business will:

(a) have cash inflows of £802

(b) have cash outflows of £802

(c) make a loss of £802

(d) make a profit of £802

[1]

6 Which of the following is the **most** likely consequence to a manufacturer of a poor relationship between its purchasing function and its operations management function?

(a) Incorrect prices

(b) Insufficient stocks of raw materials

(c) Late payment of employee wages

(d) Too few staff

[1]

7 Trade credit is:

(a) a non-financial factor which affects the success of a business

(b) a short-term source of finance

(c) money paid to central government

(d) only available to businesses that operate in the third sector

[1]

8 A business is **most** likely to be affected by a change in interest rates if it has:

(a) a poor reputation

(b) a unique selling point

(c) overseas customers

(d) savings

[1]

9 Which one of the following changes in the external environment is **not** an economic factor?

(a) A fall in the value of the pound

(b) A reduction in unemployment

(c) A rise in inflation

(d) An increase in the national minimum wage

[1]

10 A games console manufacturer has calculated the following:

- raw material costs: £50 per console
- labour costs: £17 million per annum
- overheads: £93 million per annum.

If the average selling price of a games console is £160, the break-even level of output would be:

(a) 100 000 consoles

(b) 110 000 consoles

(c) 1 million consoles

(d) 10 million consoles

[1]

11 Which one of the following business people appears to be **least** comfortable with taking risks?

(a) A Chief Executive who wishes to take the business in a radically new direction

(b) A shopkeeper who is not willing to consider adding to his product range

(c) A sole trader who considered her options carefully before deciding to relocate

(d) A trader who sells toys at a local market deciding to try and sell the toys online

[1]

12 In which section of a statement of financial position would 'trade receivables' appear?

(a) Amounts falling due within one year

(b) Capital

(c) Current assets

(d) Non-current assets

[1]

13 Which one of the following would be carried out by the personnel function in a large business?

(a) Applying for a bank loan

(b) Liaising with customers

(c) Recruitment planning

(d) Research and development

[1]

14 Customers who decide to boycott a particular store:

(a) choose to shop elsewhere

(b) promote the business on social media

(c) recommend the store to others

(d) support the business and its objectives

[1]

15 The cash flow forecast for Everett Ltd is shown below.

	July	August	September
Cash inflows	£22 000	£15 000	£25 000
Cash outflows	£15 000	£22 000	£18 000
Net cash flow	£7 000	(£7 000)	£7 000
Opening balance	£7 000	£14 000	£7 000
Closing balance	£14 000	£7 000	£14 000

The forecast shows that the company:

(a) does not predict cash flow problems

(b) expects to make a profit of £7 000

(c) predicts that net cash flow will be constant

(d) will need an overdraft of £14 000

[1]

16 A manager with an urgent task to complete passes down some of today's workload to one of his subordinates. This is an example of:

(a) delegation

(b) depreciation

(c) division of work

(d) empowerment

[1]

17 The term 'opening inventory' on a company's income statement refers to:

(a) the amount of stock purchased during the trading period

(b) the cost of sales

(c) the revenue received from selling finished goods

(d) the value of stock held at the beginning of the trading period

[1]

18 A restaurant is conducting a SWOT analysis. It has identified a social trend towards healthy eating.

Depending on the type of food the restaurant serves, the social trend could be correctly entered into the SWOT analysis as either:

(a) a strength or a weakness

(b) a threat or an opportunity

(c) a weakness or a threat

(d) an opportunity or a strength

[1]

19 The behaviour of a market leader is likely to:

(a) be ignored by central government

(b) be of no interest to its suppliers

(c) have a big impact on other firms in the same market

(d) have no impact on its external stakeholders

[1]

20 Which of the following is a correct definition of the term 'remuneration'?

(a) An unnecessary risk

(b) Financial reward

(c) Non-monetary payment

(d) Shortlisting applicants

[1]

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Turn over for the next question

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 Describe **one** way a business that you have researched sells its products.

Name of business.....

Activity of business

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[2]

22 Explain **two** ways a business that you have researched uses mobile technology.

Name of business.....

Activity of business

1

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[4]

23 Identify **four** ways a business that you have researched complies with the Data Protection Act.

Name of business

Activity of business

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[4]

24 Analyse **one** advantage and **one** disadvantage to a business that you have researched of raising finance through crowd-funding.

Name of business

Activity of business

Advantage

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Disadvantage

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[6]

25 Explain how a business that you have researched resolved a conflict with an external stakeholder group.

Name of business.....

Activity of business

External stakeholder group.....

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[4]

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Section C

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

Business scenario: *Huxley Library*

Huxley Library is a small public library located in a run-down suburban district. Library users can borrow books and other materials free of charge. Its current opening hours are Monday to Friday 7am to 3pm. The library is closed on Saturdays and Sundays.

Library users can choose to borrow from a good range of general interest books, a small selection of children's books, a wide range of e-books and an outdated selection of audio books. In addition, *Huxley Library's* service provision includes: computer and Internet access, a community room and a reading room. The community room is used for craft activities, primarily targeted at senior citizens. The room is also available for hire at a reasonable rate. The reading room, which contains recent copies of magazines and newspapers, is hardly ever used.

Huxley Library is a public sector organisation. It is financed and controlled by Alphashire County Council. The library is staffed by Malik, the Library Manager, two fully-qualified librarians and three part-time library assistants.

Malik and the two librarians are grateful for the legal, marketing and administrative support provided by Alphashire County Council. They welcome change and pride themselves on being in touch with the needs of library users. Despite wishing that Alphashire County Council would require less paperwork, be more flexible and agree to more of their innovative ideas, they love their jobs. Disappointingly, library assistants never seem to stay at the library for long, frequently leaving to develop their skills elsewhere.

Huxley Library's primary objective is to meet the information needs of the local community it serves. With government finance under pressure, this gets harder each year. *Huxley Library* has experienced a cut in funding in each of the last four years. Anna, Head of Library Services at Alphashire County Council, is responsible for monitoring *Huxley Library's* performance. Data relating to *Huxley Library's* performance in 2017 is shown in **Figs. 1 & 2** below.

Fig. 1: Library user satisfaction survey 2017

Percentage of library users who 'agreed' or 'strongly agreed' with each of the following statements:	Huxley Library	UK libraries
The library staff are helpful and well organised	95%	81%
I am happy with the range of services the library provides	96%	95%
The library's opening hours meet my needs	37%	74%

Fig. 2: Library usage data for 2017

	Huxley Library	National average
Children's book loans (as a percentage of total loans)	16%	36%
Library usage (as a percentage of adult population served)	35%	34%
Percentage change in library usage since 2016	-4.8%	-0.6%

Every three years Alphashire County Council conducts detailed research into changes in the external environment that may affect its departments. Anna, who makes all major decisions about *Huxley Library's* service provision, is waiting for the findings of a study finished in February to be made available. She always feels that study findings are slow to be made available.

All of the questions in Section C should be answered in relation to the business scenario on page 14.

26 Malik is an internal stakeholder of *Huxley Library*.

(a) Explain what is meant by the term 'internal stakeholder'.

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.....[2]

(b) Identify **two** stakeholder objectives Malik is likely to have as manager of *Huxley Library*.

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2.....
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27 *Huxley Library's* cost data for 2017 is shown below.

Fixed costs:

- salaries £9000 per month
- premises overheads £16 000 per quarter
- administrative overheads £7000 per annum

Variable costs (average per library-user visit):

- reading materials £0.33 per visit
- wages £0.97 per visit

(a) State what is meant by each of the following terms:

Fixed costs

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Variable costs

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[2]

(b) Calculate *Huxley Library's* total fixed costs for 2017.

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[2]

(c) The total number of library-user visits in 2017 was 30 000.

Calculate *Huxley Library's* total variable costs for 2017.

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[2]

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29 *Huxley Library* has a centralised organisational structure.

(a) Identify **two** advantages to *Huxley Library* of having a centralised organisational structure.

Advantage 1

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Advantage 2

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[2]

(b) Identify **two** disadvantages to the library assistants of working in an organisation with a centralised structure.

Disadvantage 1.....

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Disadvantage 2

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[2]

ADDITIONAL ANSWER SPACE

If additional answer space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s) – for example 28 or 29(a).

A large vertical rectangular area containing 25 horizontal dotted lines, intended for providing additional answer space.

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

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