



Oxford Cambridge and RSA

Wednesday 8 January 2020 – Afternoon

Level 3 Cambridge Technical in Business

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

Time allowed: 2 hours

C420/2001



You must have:

- a clean copy of the pre-release (Insert C421 - found inside this document)

You can use:

- a calculator

Please write clearly in black ink.

Centre number

--	--	--	--	--

Candidate number

--	--	--	--

First name(s)

Last name

Date of birth

D	D	M	M	Y	Y	Y	Y
---	---	---	---	---	---	---	---

INSTRUCTIONS

- Use black ink.
- Write your answer to each question in the space provided. You can use extra paper if you need to, but you must clearly show your candidate number, the centre number and the question numbers.
- Answer **all** the questions.

INFORMATION

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

ADVICE

- Read each question carefully before you start your answer.

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	/2
27	/3
28	/3
29	/14
30	/13
31	/3
32	/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 an example of a **financial** aim for a business?

(a) To break even

(b) To improve reputation

(c) To increase market share

(d) To offer value for money

[1]

2 A business with a unique selling point:

(a) benefits from low production costs

(b) has an advantage over its competitors

(c) is protected from having its ideas copied

(d) will always be profitable

[1]

3 Which of the following is a **non-legal** consequence of failing to comply with the Data Protection Act?

(a) Being fined

(b) Damage to reputation

(c) Imprisonment

(d) Increased revenue

[1]

4 Which one of the following job roles would report to a Director?

(a) Chief executive

(b) Manager

(c) Operative

(d) Supervisor

[1]

5 Paying the living wage is an example of:

(a) being an ethical employer

(b) employee empowerment

(c) meeting legal requirements

(d) sustainability

[1]

6 Which of the following would **not** cause a business to fail?

(a) Insufficient cash inflow

(b) Lack of unique selling point

(c) Maintaining a high market share

(d) Reliance on one supplier

[1]

7 A business that uses cross-functional teams has:

(a) a flawed business plan

(b) a matrix structure

(c) few communication paths

(d) no stakeholder conflict

[1]

8 Which of the following is an advantage of operating as a private limited company?

(a) Business accounts do not need to be sent to Companies House

(b) Shares can be sold on the stock exchange to raise funds

(c) The business has a separate legal identity from its owner

(d) The Health and Safety at Work Act does not apply

[1]

9 A sole trader predicts that he will be able to make and sell the following products in the coming year:

Item	Quantity	Cost	Selling price
Personalised phone cases	400	£6	£20
Personalised tablet cases	200	£15	£35

The sole trader's revenue for the coming year is expected to be:

(a) £5400

(b) £9600

(c) £15 000

(d) £20 400

[1]

10 Which one of the following is **not** an example of being enterprising?

(a) Being your own boss

(b) Having a negative attitude to change

(c) Taking risks to be competitive

(d) Turning your hobby into a business

[1]

11 Job roles on the same level of an organisation chart have:

(a) equal spans of control

(b) equal status

(c) identical key tasks

(d) identical workloads

[1]

12 Which of the following would be a fixed cost for a car manufacturer?

(a) Corporation tax

(b) Insurance

(c) Petrol

(d) Tyres

[1]

13 Which of the following is **most** likely to be a government-owned organisation?

(a) A bank

(b) A children's charity

(c) A fish farm

(d) A hospital

[1]

14 How is a business most likely to respond to a stakeholder with a high degree of influence?

(a) Try hard to meet the needs of the stakeholder

(b) Encourage the stakeholder to complain

(c) Ignore the stakeholder's concerns

(d) Refuse to discuss the issues raised by the stakeholder

[1]

15 Mulligan Butchers Ltd sells meat which is incorrectly labelled.

Mulligan Butchers Ltd appears to have broken the:

- (a) Companies Act
- (b) Consumer Rights Act
- (c) Data Protection Act
- (d) Equality Act

[1]

16 A pharmaceutical manufacturer is introducing a new liquid painkiller for children. Costings are as follows:

- fixed costs £5000 per month
- ingredients £2.50 per bottle
- packaging £0.10 per bottle.

If the selling price per bottle is £7.50, the break-even level of output would be:

- (a) 1020 bottles per month
- (b) 1020.4 bottles per month
- (c) 1020.5 bottles per month
- (d) 1021 bottles per month

[1]

17 A high-quality restaurant is located in an area which has experienced a sudden rise in unemployment.

Which one of the following actions should the restaurant take in response to this economic change?

- (a) Extend its opening hours
- (b) Increase the price of its meals
- (c) Offer discounts and special offers
- (d) Squeeze in more tables

[1]

18 A petrol station is conducting a SWOT analysis. In which category should 'an increase in fuel taxation' be placed?

(a) Strength

(b) Weakness

(c) Opportunity

(d) Threat

[1]

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

(a) Issuing refunds to customers

(b) Keeping financial records

(c) Providing IT support

(d) Purchasing raw materials

[1]

20 In which section of a statement of financial position would 'inventory' appear?

(a) Amounts falling due within one year

(b) Current assets

(c) Equity

(d) Non-current assets

[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** ways that a business you have researched complies with the Working Time Directive.

Name of business.....

Activity of business

1

.....

2

.....

[2]

- 22 Explain **one** benefit and **one** drawback to a business that you have researched of using hire purchase as a source of finance.

Name of business.....

Activity of business

Benefit

.....

.....

.....

Drawback

.....

.....

.....

[4]

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

Name of business.....

Activity of business

1

.....

.....

.....

2

.....

.....

.....

[4]

24 Analyse **one** advantage and **one** disadvantage to a business that you have researched of using social media to promote the business.

[6]

Name of business.....

Activity of business

Advantage

.....

.....

.....

.....

.....

.....

.....

.....

Disadvantage

.....

.....

.....

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

25 Explain how a business that you have researched develops its business ideas.

Name of business.....

Activity of business

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

[4]

Section C

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

Business scenario: BOSCO plc

BOSCO plc is an oil extraction company. It owns a fleet of seven oil rigs that drill for oil in the North Sea, off the east coast of Great Britain. Founded in 1919, the company employs 230 workers at its head office in Middlesbrough, a town in the north-east of England. A further 420 workers are contracted to work off-shore. 90% of the oil *BOSCO plc* extracts is sold to oil refineries involved in the production of petrol, diesel and aviation fuel. The remainder of its oil is sold to the plastics industry.

Historically, despite the oil industry experiencing significant negative media publicity, *BOSCO plc* has ignored any corporate social responsibility, for fear it would conflict with maximising returns for its shareholders. Its current financial objective is to outperform its nearest competitor by returning a profit in excess of 6.1% of sales revenue.

The oil industry is not an easy industry to survive in – it is heavily regulated and subject to high rates of taxation. *BOSCO plc*'s survival for over 100 years is primarily due to its strong growth objectives. Over the years it has purchased several struggling rival businesses. Its most recent purchase, in 2004, increased the company's market share of North Sea oil extraction to 3.8%.

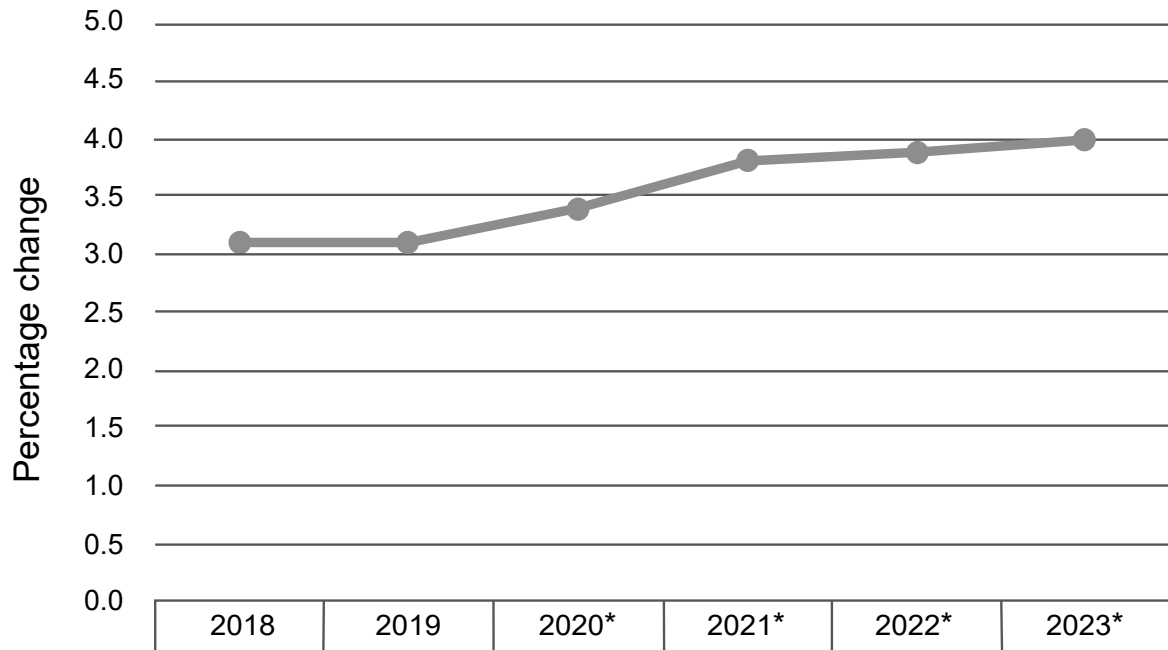
The current directors believe that the company would benefit from changing its organisational structure. The directors have proposed a radical flattening of the organisational structure at the head office. Off-shore workers would not be affected.

The proposed restructure for the head office would involve removing two complete layers of the organisational structure – the supervisory layer and the middle-management layer. After the proposed restructure, employees at the bottom of the organisational structure would report directly to their functional area's senior management. The proposed restructure would lead to 92 redundancies. Those that remain at head office would face a significant increase in workload.

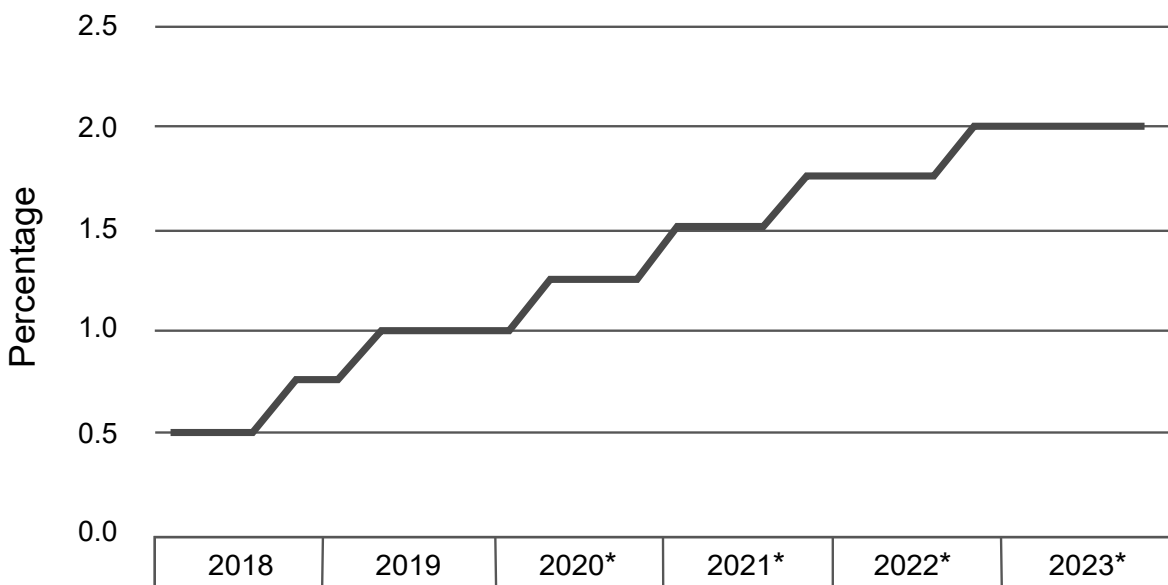
While head office employees remain concerned for their jobs, the directors are focussing on preparing for the upcoming Annual General Meeting. They plan to show shareholders some recently published forecasts (**see Figs. 1 and 2 overleaf**). These forecasts might have a significant effect on the long-term success of the company.

Recently published forecasts to be presented to shareholders at the upcoming AGM

**Fig. 1 Percentage change in UK wage rates
(*2020 onwards forecast)**



**Fig. 2 UK interest rates
(*2020 onwards forecast)**



All of the questions in Section C should be answered in relation to the business scenario on page 11.

26 Circle the business sector **and** activity type of *BOSCO plc*.
You should only draw **two** circles.

Business sector:	Private	Public	Third
Activity type:	Primary	Secondary	Tertiary

[2]

27 *BOSCO plc* is a public limited company.

(a) Identify who owns *BOSCO plc*.

.....[1]

(b) Identify the type of legal liability the owners of *BOSCO plc* possess and explain what this means.

Type of liability

Explanation

.....

.....[2]

28 In 2019 *BOSCO plc* sold 3.4 million barrels of oil at an average price of £60 per barrel. The company's operating costs averaged £16 million per month.

Calculate *BOSCO plc*'s profit for 2019.

.....

.....

.....

.....

.....

.....[3]

.....

.....

.....

.....

.....

.....

.....

.....

31 The cash flow forecast for *BOSCO plc* for the next four months of trading is shown below.

	Feb	Mar	Apr	May
Cash inflow:				
Sales revenue	£16.8m	£17.0m	£17.2m	£17.4m
Total inflow	£16.8m	£17.0m	£17.2m	£17.4m
Cash outflow:				
Labour costs	£6.3m	£6.3m	£6.3m	£6.3m
Finance costs	£4.0m	£4.5m	£4.6m	£5.1m
Other costs	£5.7m	£5.5m	£5.7m	£5.5m
Total outflow	£16.0m	£16.3m	£16.6m	£16.9m
Net cash flow	£0.8m	£0.7m	£0.6m	£0.5m
Opening balance	£0.7m	£1.5m	£2.2m	£2.8m
Closing balance	£1.5m	£2.2m	£2.8m	£3.3m

(a) Identify **one** aspect of the financial performance of *BOSCO plc* which is forecast to get worse.

.....[1]

(b) Explain whether *BOSCO plc* is likely to need an overdraft during the next four months of trading.

.....

.....

.....

.....[2]

.....

.....

.....

.....

.....

.....

.....

END OF QUESTION PAPER

OCR

Oxford Cambridge and RSA

Copyright Information:

OCR is committed to seeking permission to reproduce all third-party content that it uses in its assessment materials. OCR has attempted to identify and contact all copyright holders whose work is used in this paper. To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced in the OCR Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download from our public website (www.ocr.org.uk) after the live examination series.

If OCR has unwittingly failed to correctly acknowledge or clear any third-party content in this assessment material OCR will be happy to correct its mistake at the earliest possible opportunity.

For queries or further information please contact the Copyright Team, OCR (Oxford Cambridge and RSA Examinations), The Triangle Building, Shaftesbury Road, Cambridge CB2 8EA.

OCR is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© OCR 2020

C420/2001