

Monday 9 January 2023 – Afternoon

Level 3 Cambridge Technical in Business

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

Time allowed: 2 hours

C420/2301



You must have:

- a clean copy of the Pre-release (inside this document)

You can use:

- a calculator



Please write clearly in black ink. **Do not write in the barcodes.**

Centre number

Candidate number

First name(s) _____

Last name _____

Date of birth

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.
- Use the Insert to answer the questions in **Section B**.
- 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.

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 internal source of finance for a sole trader?

A Credit card

B Crowd funding

C Hire purchase

D Savings

[1]

2 Which of the following would be classified as a corporate social responsibility activity?

A Buying from local suppliers

B Charging fair prices

C Donating to charity

D Paying the living wage

[1]

3 Which of the following functional areas would be responsible for managing the expectations of guests in a large hotel?

A Business support services

B Customer services

C Human resources

D Procurement

[1]

4 What is the correct term for an organisation where all important decisions are made at the head office?

A Accountable

B Centralised

C Decentralised

D Ethical

[1]

5 Ignoring which of the following stakeholders is **most** likely to lead to a company being denied planning permission?

A Lenders

B Local government

C Potential investors

D Shareholders

[1]

6 Which of the following would **not** be included in the 'resource requirements' section of a business plan?

A Essential equipment

B Location of premises

C Skills of workforce

D Unique selling point

[1]

- 7 Tabby Ltd's cash flow statement for the last three months of trading is shown below.

	October	November	December
Cash inflows	£600 000	£650 000	£700 000
Cash outflows	£470 000	£880 000	£480 000
Net cash flow	£130 000	(£230 000)	£220 000
Opening balance	£50 000	£180 000	(£50 000)
Closing balance	£180 000	(£50 000)	£170 000

According to the cash flow statement, which of the following statements is true?

- A Tabby Ltd had £50 000 in the bank at the end of November
- B Tabby Ltd made a profit of £170 000 during these three months
- C Tabby Ltd's cash inflows exceeded cash outflows in November
- D Tabby Ltd's cash inflows improved month on month

[1]

- 8 A utilities company fails to delete out-of-date customer records.

The company appears to have broken the:

- A Consumer Protection Act
- B Consumer Rights Act
- C Copyright, Designs and Patents Act
- D Data Protection Act

[1]

- 9 Which of the following is an example of an inventor?

- A A director who manages her workload by delegating tasks to subordinates
- B A manager who empowers his workforce to make their own decisions
- C A sole trader who likes to pursue his own interests and be his own boss
- D An employee who develops a product that has not existed before

[1]

10 Parsley plc supplies a professional video camera to TVbox Ltd.

As a supplier, one of Parsley plc's main objectives is to:

- A** agree a low selling price
- B** be paid as soon as possible
- C** increase its break-even point
- D** reduce its net cash flow

[1]

11 An administrative assistant for a bakery makes an urgent call to an electrician to repair a faulty oven.

Which two functional areas of the bakery are working together?

- A** Business support services and customer services
- B** Customer services and finance
- C** Finance and operations management
- D** Operations management and business support services

[1]

12 A supervisor with a wide span of control:

- A** does not have any subordinates
- B** is directly responsible for one other employee
- C** oversees a relatively large number of employees
- D** reports to two different line managers

[1]

13 The term 'closing inventory' on a company's income statement refers to:

- A the amount owed to the company by debtors
- B the cost of sales during the trading period
- C the revenue received from selling the stock
- D the value of stock at the end of the trading period

[1]

14 Jamal Botterill, a sole trader, makes lamps. His costs and revenues for 2023 are estimated to be:

- fixed costs: £15 000
- variable costs: £10 per lamp
- selling price: £35 per lamp

According to the estimates, Jamal Botterill's break-even level of output for 2023 will be:

- A 333 lamps
- B 429 lamps
- C 600 lamps
- D 1500 lamps

[1]

15 What task is **most** likely to be part of the job role of the chief executive of a public limited company?

- A Creating an income statement
- B Deciding long-term future plans
- C Identifying the skills of employees
- D Rewriting government legislation

[1]

16 'A new prime minister leading the UK government' would be an example of:

- A a legal change
- B a political change
- C an environmental change
- D an ethical change

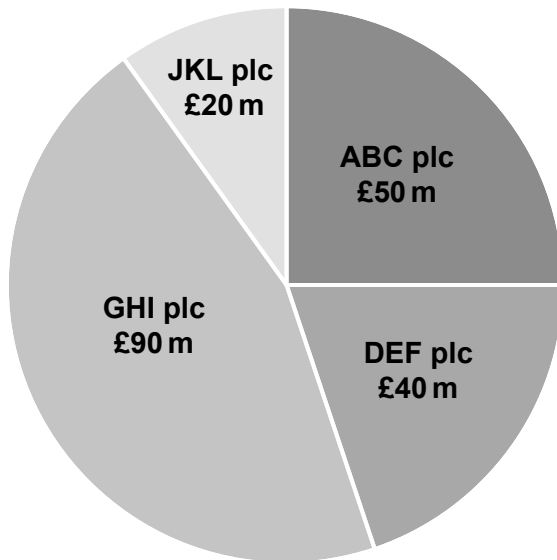
[1]

17 Which of the following is a **financial** factor which may negatively affect a supermarket's success?

- A A poor reputation for customer service
- B A significant increase in the cost of advertising
- C A temporary problem obtaining dairy products
- D Limited market research into shopping habits

[1]

18 ABC plc has created a pie chart to show the competitive market in which it operates.



Revenue earned in 2022

According to the pie chart:

- A ABC plc has four competitors
- B DEF plc does not compete with ABC plc
- C GHI plc is the market leader
- D JKL plc has the highest market share

[1]

19 An overdraft would be recorded in a statement of financial position as a:

- A** current asset
- B** long-term liability
- C** non-current asset
- D** short-term liability

[1]

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

- A** Benchmark data relating to industrial standards
- B** Numerical data relating to carbon emissions
- C** Research data relating to cultural beliefs
- D** Statistical data relating to the population

[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 Using SWOT analysis, identify **one** strength and **one** weakness of a business that you have researched.

Name of business

Activity of business

Strength

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Weakness

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[2]

- 22 Describe **two** tasks which are part of the job role of a marketing assistant in a business that you have researched.

Name of business

Activity of business

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2

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[4]

23 Explain **one** advantage and **one** disadvantage to a business that you have researched of using trade credit as a source of finance.

Name of business

Activity of business

Advantage

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Disadvantage

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[4]

24 Analyse **one** benefit and **one** drawback to a business you have researched of meeting the needs of its customers.

[6]

Name of business

Activity of business

Benefit

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Drawback

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25 Describe how a business you have researched has responded to the ever-increasing importance of environmental sustainability.

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: First Class Luggage Ltd

First Class Luggage Ltd manufactures superior-quality, designer suitcases for the image-conscious traveller. Its suitcases are sold in high-end department stores nationwide and selected specialist luggage stores at UK airports. Retail prices are high. Prices range from £300 for a small hand luggage suitcase to over £3000 for a large Bluetooth-trackable suitcase.

The company's luxury, on-trend suitcases are especially popular with fashion-conscious business travellers and leisure travellers who want to stand out from the crowd. Over 80% of First Class Luggage Ltd's suitcase-users are aged 25 to 49 years.

Shanti, Kareem and Zayn set up the company in 2002. They remain the company's only shareholders. In recent years, company dividends have provided each of them with a good income. All three shareholders now own their own homes and at least one expensive car.

The company has a tall hierarchical organisational structure and divides its work by business function. Most of its employees are recruited from the local town of Aberton in Mid-Wales. The company has an excellent reputation for listening to its employees and treating them well. Departmental managers receive very competitive salaries, operatives and supervisors receive wages well above the living wage and the remuneration paid to directors is one of the highest in the industry. The local community benefits from the prosperity the company brings to the area.

First Class Luggage Ltd only uses top quality raw materials. It imports leather from Italy and low-carbon aluminium from Germany. The skills of the company's production operatives who hand cut, hand stitch and hand finish each suitcase are well respected in the industry. Customers like the fact that each suitcase is slightly different because each is handmade.

In 2020 the company obtained a 5-year bank loan to ease cash flow difficulties caused by international travel restrictions. This borrowing was in addition to the company's large 25-year mortgage. Recent rises in insurance premiums and business rates have also meant that the company has used its bank overdraft more often. Nevertheless, the company has remained profitable. In fact, despite only selling to retailers in the UK, the company is unable to keep up with demand.

The shareholders have decided that it is time to put available technology to good use. Pressing the aluminium, cutting the leather and the stitching will be automated. However, each suitcase will still be hand finished so that the company can continue to market them as 'handmade'.

Automating the production process will mean redundancies. 65% of the production operatives will lose their jobs. Those that remain will face significant changes to their job role. They will be required to do shift work and will need retraining to operate the computer-controlled equipment.

The shareholders, now in their late fifties, hope that the automation will create high enough returns to fund their retirements. They have set objectives for the first four months of automation, two of these objectives are shown in **Table 1** below.

Table 1: Shareholder objectives for the first four months of automation

	Criterion:	Current performance (on average):	Objective:
1	Monthly output of small suitcases	5500 small suitcases	Increase by 100%
2	Variable cost of producing a small suitcase	£90 per small suitcase	Reduce by 30%

28 Using an example from the business scenario, explain what each of the following financial terms means.

- Variable cost

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- Fixed cost

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[4]

29 Evaluate advantages to Shanti, Kareem and Zayn of operating First Class Luggage as a private limited company rather than as a partnership.

[12]

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30 The automation of First Class Luggage Ltd’s production process is now complete. During its first four months of automation the company made 52 800 small suitcases. The variable cost of producing these suitcases was £3.3 million.

Complete the table below to show First Class Luggage Ltd’s actual performance during the first four months of automation against the objectives set by the shareholders in **Table 1**.

Objective	Actual performance during the first four months of automation	Objective for the first four months of automation	Objective met/ Objective <u>not</u> met? (Please circle the correct answer)
1. Monthly output of small suitcases	<p>..... suitcases</p>	<p>..... suitcases</p>	<p>Objective met</p> <p>Objective <u>not</u> met</p>
2. Variable cost of producing a small suitcase	<p>£</p>	<p>£</p>	<p>Objective met</p> <p>Objective <u>not</u> met</p>

[6]

31 Analyse **three** economic factors that are likely to have a negative impact on First Class Luggage Ltd.

Which one of the three factors would harm the company the most? Justify your answer.

[12]

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