

## Level 3 Cambridge Technicals in Business

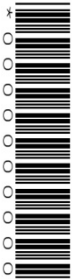
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### Unit 1: The business environment

#### Sample Assessment Material

### Date – Morning/Afternoon

Time Allowed: 2 hours



**You must have:**

- Clean copy of the research brief

**You may use:**

- A calculator



First Name		Last Name	
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Centre Number						Candidate Number				
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Date of Birth									
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#### INSTRUCTIONS

- Use black ink.
- Complete the boxes above with your name, centre number and candidate number. Please write clearly and in capital letters.
- Answer **all** the questions.
- Write your answer to each question in the space provided. Additional paper may be used if necessary but you must clearly show your candidate number, centre number and question number (s).
- Do **not** write in the bar codes.

#### INFORMATION

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

**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 would be classified as an internal stakeholder of a private limited company?
- (a) Central government
- (b) Directors
- (c) Partners
- (d) Pressure groups
- [1]
- 2** A business operated by a sole trader has:
- (a) no tax liability
- (b) one owner
- (c) one shareholder
- (d) only one stakeholder
- [1]
- 3** A public limited company:
- (a) can sell its shares on the stock exchange
- (b) cannot cease trading
- (c) has unlimited liability
- (d) operates in the public sector
- [1]
- 4** Which of the following functional areas of a business is **most** likely to be responsible for producing a radio advertisement to raise awareness of its new product?
- (a) Customer service
- (b) Marketing
- (c) Operations
- (d) Sales
- [1]

5 Paying above the minimum wage is an example of:

- (a) a business opportunity
- (b) being an ethical employer
- (c) poor cash flow management
- (d) wasting physical resources

[1]

6 A supervisor's immediate superior is **most** likely to be:

- (a) a director
- (b) a manager
- (c) an apprentice
- (d) an operative

[1]

7 The Business Support Services function of a large company is **most** likely to support the purchasing function by:

- (a) installing new presentation software
- (b) producing a template letter for customer complaints
- (c) updating the company's e-commerce website
- (d) upgrading a database of suppliers

[1]

8 A business produces goods which are of an inferior quality compared to that of its competitors. This is an example of:

- (a) a weakness of the business
- (b) being competitive
- (c) delegation of authority
- (d) unethical trading

[1]

Turn over

9 An overdraft is:

- (a) a long term, external source of finance
- (b) a long term, internal source of finance
- (c) a short term, external source of finance
- (d) a short term, internal source of finance


[1]

10 Nadia makes violins in her garage at home. She estimates her costs for 2016 as follows:

- Machinery hire: £2000 per annum
- Marketing: £400 per annum
- Raw materials: £45 per violin.

If Nadia sells each violin for £125, the break-even output for 2016 would be:

- (a) 19 violins
- (b) 25 violins
- (c) 30 violins
- (d) 192 violins


[1]

11 Which of the following is a political factor which may affect a public sector organisation?

- (a) A change in cultural beliefs
- (b) A change of government
- (c) An improvement in communication technology
- (d) An improvement in the standard of living


[1]

12 One purpose of a public limited company's Annual General Meeting (AGM) is to:

- (a) find a venture capitalist
- (b) inform employees of future changes
- (c) listen to customer viewpoints
- (d) meet legal requirements


[1]

13 Interest rates in the UK rise. A UK manufacturer might be affected by this because:

- (a) banks will be less willing to issue loans
- (b) borrowing money will be more expensive
- (c) raw materials purchased from abroad will be cheaper
- (d) more tourists will visit the UK

[1]

14 Which of the following functional areas is responsible for converting inputs into outputs?

- (a) Finance
- (b) Operations Management
- (c) Research and Development
- (d) Sales

[1]

15 A partnership is owned by three brothers. The partnership goes bankrupt with debts of £30 000. According to the Partnership Act:

- (a) each brother is jointly and severally liable for the full £30 000
- (b) each brother is liable for only £10 000 of the debt
- (c) the brothers do not have to repay the debt from personal funds
- (d) the brothers would only lose the amount they have invested in the business

[1]

16 Which of the following is **not** a source of finance available to a sole trader?

- (a) Bank Loan
- (b) Crowd funding
- (c) Share issue
- (d) Venture capital

[1]

Turn over

17 Which of the following is likely to be a variable cost on a dairy farm?

(a) Animal feed

(b) Business rent

(c) Milking equipment

(d) Public liability insurance

[1]

18 Which of the following combinations of objectives is a third sector organisation **most** likely to set?

(a) Increase break-even, increase awareness

(b) Increase break-even, increase growth

(c) Increase revenue, reduce costs

(d) Increase revenue, reduce profit

[1]

19 Which of the following is the correct definition of the term 'span of control'?

(a) The number of subordinates for whom an employee is indirectly responsible

(b) The number of subordinates for whom an employee is directly responsible

(c) The total number of employees in an organisation

(d) The total number of managers in an organisation

[1]

20 Which of the following is a benefit to a business of introducing an ethical trading policy?

(a) A decrease in market share

(b) An improved reputation

(c) Cheaper prices

(d) Compliance with the Equality Act

[1]

**Section B**

Answer **all** questions in this Section.

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

**21 (a)** Describe how a business that you have researched is organised.

Name of business \_\_\_\_\_

Activity of business \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**[2]**

**(b)** State **one** advantage and **one** disadvantage to the business you named in **part (a)** of being organised in this way.

Advantage \_\_\_\_\_

\_\_\_\_\_

Disadvantage \_\_\_\_\_

\_\_\_\_\_

**[2]**

**22** Explain **one** way a business that you have researched uses social media.

Name of business \_\_\_\_\_

Activity of business \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**[2]**

Turn over

**23** Explain **two** possible impacts on a business that you have researched of **not** listening to the concerns of its employees.

Name of business \_\_\_\_\_

Activity of business \_\_\_\_\_

Impact 1. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Impact 2. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**[4]**

**24** Analyse **two** ways in which a business that you have researched could change its working practices in order to achieve sustainability.

Name of business \_\_\_\_\_

Activity of business \_\_\_\_\_

Way 1. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Way 2. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**[6]**



**25** The actions of one functional area in a business are likely to impact on other functional areas in the same business.

Explain how the action of **one** functional area has impacted on another functional area in a business that you have researched.

Name of business \_\_\_\_\_

Activity of business \_\_\_\_\_

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**[4]**

Turn over

## Section C

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

**Business scenario:** *Convenience Corner*

Kirsten Halliburton is a sole trader. She owns *Convenience Corner*, an independent general store located in the centre of a large housing estate. Kirsten has owned the store for over 20 years. She relies on the profit it makes to support herself and her family.

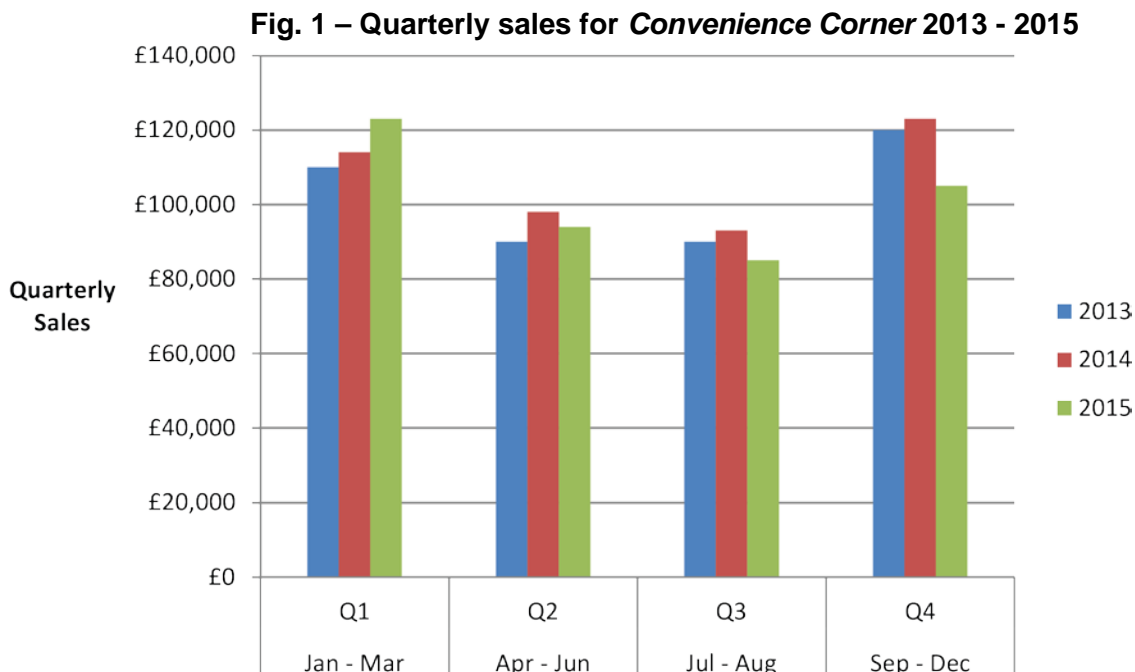
The store sells a range of fresh, frozen and packaged foods. It also sells toiletries, household cleaning products, pet food, greetings cards and newspapers. Even though space is severely limited, Kirsten manages to stock a small selection of vegetarian, international and organic foods to cater for local demand. *Convenience Corner* opens at 6 am, seven days a week. The store usually remains open for a minimum of 16 hours each day. Kirsten believes that meeting customer needs is the key to business success. Kirsten, therefore, likes to keep the store's closing times flexible. While there is a steady flow of customers, the store remains open. The store frequently remains open throughout bank holiday periods.

*Convenience Corner* currently employs six sales assistants, all under the age of 25. Each member of staff is paid £2 per hour over the national minimum wage for their age. Depending on the time of day and how busy the store is, two or three members of staff are required to work at any one time. Kirsten has a good working relationship with her staff. All of the staff are contracted to work a 40 hour week, on a rota over different days and trading times. At weekends, and other busy periods, Kirsten expects the sales assistants to work additional hours as necessary, at very short notice, often through the night. In the past, the sales assistants have sometimes worked 60 hours a week, without complaint.

In March 2014, a national supermarket chain was granted permission to build a new supermarket close to *Convenience Corner*. The supermarket opened in July 2015. Its opening hours are 8am to 8pm Monday to Sunday.

Kirsten is concerned about the sales performance of *Convenience Corner*. She wonders how much impact the increased competition from the supermarket has had on *Convenience Corner*, and how much impact it may continue to have in the future. She worries that her objective to increase sales at *Convenience Corner* by 3% year on year may no longer be achievable.

Performance data from 2013 to 2015 is given in **Fig. 1** below.



All of the questions in Section C should be answered in relation to the business scenario on page 10.

26 Businesses can be categorised by activity type or operating sector.

Identify:

- the activity type of *Convenience Corner*

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- the operating sector of *Convenience Corner*.

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[2]

27 Explain **one** benefit to Kirsten of having good working relationships with the sales assistants.

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[2]

Turn over



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**29** Kirsten relies on the profit which *Convenience Corner* makes to support her family.

Other than by increasing sales, state **one** way in which Kirsten could increase *Convenience Corner's* profit.

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[1]

Turn over



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Turn over

- 31 Kirsten has produced a cash flow forecast for *Convenience Corner's* next six months of trading.

**Cash flow forecast for *Convenience Corner*: July – December 2016**

	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
<b>Cash inflows</b>	£27,000	£26,000	£27,000	£32,000	£33,000	£35,000
<b>Cash outflows</b>	£28,000	£30,000	£29,000	£22,000	£31,000	£23,000
<b>Net cash flow</b>	(£1,000)	(£4,000)	(£2,000)	£10,000	£2,000	£12,000
<b>Opening balance</b>	£2,000	£1,000	(£3,000)	(£5,000)	£5,000	£7,000
<b>Closing balance</b>	£1,000	(£3,000)	(£5,000)	£5,000	£7,000	£19,000



(a) State the meaning of each of the following terms:

• opening balance \_\_\_\_\_  
\_\_\_\_\_

• net cash flow \_\_\_\_\_  
\_\_\_\_\_

[2]

(b) Using the data given in the cash flow forecast on the previous page, analyse the cash flow position of *Convenience Corner*.

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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[4]

(c) State **one** external stakeholder group who would be interested in the cash flow forecast of *Convenience Corner*.

Explain **one** reason for the interest of your chosen stakeholder group.

External stakeholder group \_\_\_\_\_

Explanation \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[3]

Turn over



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**END OF QUESTION PAPER**

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**Sample Assessment Material**

**LEVEL 3 CAMBRIDGE TECHNICAL IN BUSINESS**

**Unit 1: The business environment**

**MARK SCHEME**

**Duration: 2 hours**

**MAXIMUM MARK 90**

**SPECIMEN**

**Version: 1 Date: 30/08/2015**

**This document consists of 13 pages**

**Updated 22/12/16 – Mark Scheme Question 15 answer amended.**

Question	Answer	Marks	Guidance
<b>SECTION A</b>			
<b>1</b>	Indicative content: <b>B</b>	1	For one mark.
<b>2</b>	Indicative content: <b>B</b>	1	For one mark.
<b>3</b>	Indicative content: <b>A</b>	1	For one mark.
<b>4</b>	Indicative content: <b>B</b>	1	For one mark.
<b>5</b>	Indicative content: <b>B</b>	1	For one mark.
<b>6</b>	Indicative content: <b>B</b>	1	For one mark.
<b>7</b>	Indicative content: <b>D</b>	1	For one mark.
<b>8</b>	Indicative content: <b>A</b>	1	For one mark.
<b>9</b>	Indicative content: <b>C</b>	1	For one mark.
<b>10</b>	Indicative content: <b>C</b>	1	For one mark.
<b>11</b>	Indicative content: <b>B</b>	1	For one mark.
<b>12</b>	Indicative content: <b>D</b>	1	For one mark.
<b>13</b>	Indicative content: <b>B</b>	1	For one mark.
<b>14</b>	Indicative content: <b>B</b>	1	For one mark.
<b>15</b>	Indicative content: <b>A</b>	1	For one mark. <b>(answer updated 22/12/16)</b>
<b>16</b>	Indicative content: <b>C</b>	1	For one mark.
<b>17</b>	Indicative content: <b>A</b>	1	For one mark.
<b>18</b>	Indicative content: <b>C</b>	1	For one mark.
<b>19</b>	Indicative content: <b>B</b>	1	For one mark.
<b>20</b>	Indicative content: <b>B</b>	1	For one mark.

Question	Answer	Marks	Guidance
<b>SECTION B</b>			
21	<p><b>(a)</b> Responses include:</p> <ul style="list-style-type: none"> <li>• flat structures</li> <li>• hierarchical/tall structures</li> <li>• centralised</li> <li>• decentralised</li> <li>• matrix</li> <li>• by function</li> <li>• by product/service</li> <li>• by geographical location</li> <li>• matrix structure.</li> </ul> <p>Exemplar response:</p> <p>e.g. Colmans has a hierarchical structure<b>(1)</b> it has many status levels from apprentices to directors <b>(1)</b>.</p>	2	<p>One mark for each point of description up to a maximum of two such points, but allow development marks.</p> <p>Answer <b>must</b> be in the context of a business which the learner has researched.</p>
21	<p><b>(b)</b> Responses include:</p> <ul style="list-style-type: none"> <li>• advantage – flexibility, responsive to change, efficiency, specialisation, speed, expertise, simple structure, control, good communication.</li> <li>• disadvantage – inflexible, slow to change, rivalry, inefficient, duplication, slow decision-making, complex structure, lack of control, poor communication.</li> </ul> <p>Exemplar response:</p> <p>e.g. Advantage: Having a hierarchical structure allows Colmans to employ outstanding directors who give the company a competitive advantage <b>(1)</b>.</p> <p>Disadvantage: Having a hierarchical structure means that sometimes the company is slow to respond to changes in the market or the needs of employees <b>(1)</b>.</p>	2	<p>One mark for a correct identification of an advantage. One mark for a correct identification of a disadvantage.</p> <p>Answer <b>must</b> be in the context of a business which the learner has researched.</p>

Question	Answer	Marks	Guidance
22	<p>Responses include:</p> <ul style="list-style-type: none"> <li>• to communicate with customers/potential customers</li> <li>• to carry out market research</li> <li>• to receive feedback from customers</li> <li>• to raise awareness of the brand</li> <li>• to advertise products/services</li> <li>• to assess customer satisfaction.</li> </ul> <p>Exemplar response:</p> <p>e.g. Diners are given vouchers encouraging them to log into Facebook and give their feedback <b>(1)</b>. Brewer's Fayre uses these polls to assess levels of customer satisfaction <b>(1)</b>.</p>	2	<p>One mark for a correct identification, plus a further one mark for an explanation.</p> <p>Answer <b>must</b> be in the context of a business which the learner has researched.</p>
23	<p>Responses include:</p> <ul style="list-style-type: none"> <li>• effect on motivation/morale</li> <li>• lower output</li> <li>• reduced productivity</li> <li>• lower quality</li> <li>• workers may leave</li> <li>• higher absenteeism</li> <li>• poor punctuality</li> <li>• wastage</li> <li>• unfulfilled orders</li> <li>• increased costs</li> <li>• poor industrial relations</li> <li>• industrial action</li> <li>• increased likelihood of accidents</li> <li>• fewer employee led initiatives</li> <li>• loss of sales</li> <li>• loss of profit.</li> </ul>	4	<p>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.</p> <p>Answer <b>must</b> be in the context of a business which the learner has researched.</p>



Question	Answer	Marks	Guidance
	<p>Exemplar response:</p> <p>e.g. If Cosyfoam does not listen to its employees then it may suffer higher rates of absenteeism <b>(1)</b>, because workers will lack the commitment to come into work <b>(1)</b>.</p>		
24	<p>Responses include:</p> <ul style="list-style-type: none"> <li>• better land management</li> <li>• tree planting scheme</li> <li>• use green energy sources</li> <li>• minimise use of fossil fuels</li> <li>• minimise the need for travel</li> <li>• minimise paper use</li> <li>• turn off electrical equipment when not in use</li> </ul> <p>Exemplar response:</p> <p>e.g. PR Tours could use bio fuels in its coaches <b>(1)</b>. This would preserve fossil fuels for future generations <b>(1)</b>. It may also attract additional customers to the business, especially those with an ethical conscience <b>(1)</b>.</p>	6	<p>One mark for a correct identification up to a maximum of two identifications, plus one mark for each of two explanations and a further one mark for each of two analyses.</p> <p>Accept any type of impact or consequence for analysis, including benefits or drawbacks.</p> <p>Answer <b>must</b> be in the context of a business which the learner has researched.</p>
25	<p>Reponses include:</p> <ul style="list-style-type: none"> <li>• human resources</li> <li>• finance</li> <li>• marketing</li> <li>• sales</li> <li>• customer service</li> <li>• IT</li> <li>• administration</li> <li>• purchasing</li> <li>• resource management</li> <li>• operations</li> </ul> <p>research and development</p>	4	<p>One mark for a correct identification of an initiating functional area and one mark for a correct identification of a functional area it impacts on. Plus one mark for each point of explanation up to a maximum of two such points, but allow development marks.</p> <p>Impacts can be positive or negative.</p> <p>Answer <b>must</b> be in the context of a business which the learner has researched.</p>

Question	Answer	Marks	Guidance
	<p>Exemplar response:</p> <p>e.g. Mattel's sales function <b>(1)</b> managed to secure significantly more orders in the run up to Christmas than usual <b>(1)</b>. This put pressure on the operations functional area <b>(1)</b> which had to use overtime to keep up with production <b>(1)</b>.</p>		
<b>SECTION C</b>			
<b>26</b>	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• activity type – tertiary/retail.</li> <li>• operating sector – private.</li> </ul>	2	One mark for each correct identification, up to a maximum of two identifications.
<b>27</b>	<p>Responses include:</p> <ul style="list-style-type: none"> <li>• goodwill</li> <li>• positive attitude towards business</li> <li>• greater commitment</li> <li>• more motivated workforce</li> <li>• greater co-operation</li> <li>• fewer complaints from staff</li> <li>• willingness to work long hours</li> <li>• lower labour turnover.</li> </ul> <p>Exemplar response:</p> <p>e.g. The sales assistants are likely to show a greater commitment to the business <b>(1)</b> and be willing to work additional hours when Kirsten requires <b>(1)</b>.</p>	2	One mark for a correct identification, plus a further one mark for an explanation.

Question	Answer	Marks	Guidance
28	<p>Use level of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• legal action</li> <li>• fines</li> <li>• compensation</li> <li>• court costs</li> <li>• legal support – time, cost</li> <li>• bad publicity</li> <li>• pressure groups</li> <li>• negative effect on reputation e.g. lose customers</li> <li>• recruitment difficulties</li> <li>• customer boycott</li> <li>• allows store to stay open longer and meet customer needs</li> <li>• easier workforce planning</li> <li>• can get staff to work, on average, more than 48 hours per week</li> <li>• can get staff to work for more hours without a break</li> <li>• can minimise break times</li> <li>• can require staff to work back-to-back shifts</li> <li>• flexibility</li> <li>• effect on sales</li> <li>• effect on profit.</li> </ul> <p>Exemplar response:</p> <p>e.g. One possible impact of failing to comply with the Working Time Directive is that legal action might be taken against the business <b>(L1)</b>. <i>Convenience Corner</i> could receive a fine for requiring its sales assistants to work for more than an average of 48 hours per week <b>(L2)</b>. A fine would increase business costs and make it more difficult to break-even <b>(L3)</b>.</p>	12	<p><b>Levels of response</b></p> <p><b>Level 4 (10 – 12 marks)</b> Candidate evaluates possible impacts on <i>Convenience Corner</i> of failing to comply with the Working Time Directive.</p> <p><b>Level 3 (7 – 9 marks)</b> Candidate analyses possible impacts on <i>Convenience Corner</i> of failing to comply with the Working Time Directive.</p> <p><b>Level 2 (4 – 6 marks)</b> Candidate explains possible impacts on <i>Convenience Corner</i> of failing to comply with the Working Time Directive.</p> <p><b>Level 1 (1 – 3 marks)</b> Candidate identifies possible impacts of failing to comply with the Working Time Directive.</p> <p>Impacts <b>must</b> be on the business, can be positive or negative.</p>

Question	Answer	Marks	Guidance
	<p>The reputation of a <i>Convenience Corner</i> could also be affected (<b>L1</b>) because customers may not want to deal with a business which is involved in illegal practices (<b>L2</b>). If customers boycott the store, sales and profit would fall (<b>L3</b>).</p> <p>Both of these impacts would affect the profitability of the business, the impact of breaching the Working Time Directive could, therefore, be a serious one for <i>Convenience Corner</i> (<b>L4</b>). However, in practice, because the local residents want the convenience of the extended opening hours and the sales assistants do not complain about the long additional hours they sometimes have to work, it seems likely that this issue will have no impact on <i>Convenience Corner</i> as it will never reach the court's attention (<b>L4</b>).</p>		
29	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• reduce costs</li> <li>• reduce fixed costs</li> <li>• pay less for stock</li> <li>• reduce staff numbers</li> <li>• lower pay rate/pay minimum wage</li> <li>• minimise wastage.</li> </ul>	1	One mark for a correct identification.
30	<p>Use level of response criteria.</p> <p>Indicative content: Indicative content:</p> <ul style="list-style-type: none"> <li>• general upward trend in 2013 and 2014</li> <li>• seasonal variations – Q1 and Q4 strongest</li> <li>• consistency in previous years</li> <li>• sales fell in 2015 Q3 and Q4 to below 2013 levels</li> <li>• 2015 Q3 sales fell - likely to have been adversely affected by the opening of the supermarket</li> <li>• 2015 Q4 significantly worse performance – affected by the continued trading of the supermarket?</li> <li>• 2015 Q2 sales below 2014 – before supermarket opened - cause?</li> </ul>	12	<p><b>Levels of response</b></p> <p><b>Level 4 (10 – 12 marks)</b> Candidate evaluates whether Kirsten should be concerned about the sales performance of <i>Convenience Corner</i>.</p> <p><b>Level 3 (7 – 9 marks)</b> Candidate analyses <i>Convenience Corner's</i> sales performance.</p> <p><b>Level 2 (4 – 6 marks)</b> Candidate explains <i>Convenience Corner's</i></p>

Question	Answer	Marks	Guidance
	<ul style="list-style-type: none"> <li>• +3% target met in 2013 and 2014 but not 2015</li> <li>• possibility of a cause other than the supermarket affecting sales</li> <li>• overall profitability</li> <li>• 3% increase in sales - goal realistic?</li> <li>• other more important financial goals</li> <li>• other more important non-financial goals.</li> </ul> <p>Exemplar response:</p> <p>e.g. Sales in quarters three and four of 2015 are considerably down on previous years <b>(L1)</b>. Since the supermarket opened in July 2015 it is likely that this has caused the drop in sales <b>(L2)</b>. Moreover, weak performance in quarter two of 2015, several months before the opening of the new supermarket, appears to indicate that the store was experiencing falling sales well before the opening of the new supermarket <b>(L3)</b>. Kirsten needs to be concerned about the falling level of sales, especially as it appears the opening of the supermarket might not be the only cause <b>(L4)</b>. However, since Kirsten relies on the profit which the business makes to support herself and her family, it might be more important for Kirsten to concentrate on the business' profit figures rather than the sales figures. Profit figures may show an increase in profitability, despite a fall in sales due to a reduction in operating costs. Equally the profit figures may show that the reduction in sales has caused a serious fall in profit levels which needs to be addressed urgently <b>(L4)</b>.</p>		<p>sales performance issues.</p> <p><b>Level 1 (1 – 3 marks)</b> Candidate identifies sales performance issues.</p>
31	<p><b>(a)</b> Indicative content:</p> <ul style="list-style-type: none"> <li>• opening balance – the amount of money available for a business to spend at the beginning of a period of time/the available cash brought forward from the end of the previous period.</li> <li>• net cash flow – cash inflows for a period minus cash outflows for that period/the difference between the amount of money in and the amount of money out</li> </ul>	2	One mark for a correct identification up to a maximum of two identifications.

Question	Answer	Marks	Guidance
31 (b)	<p>Use level of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• positive opening balance for July</li> <li>• cash inflows show an increasing trend</li> <li>• quarter 4 better than quarter 3</li> <li>• sales (cash inflows) appear to be seasonal – poorer during the summer, higher in winter</li> <li>• significant increase in cash outflows in August and November – quarterly bill? rent?</li> <li>• outflow variability significantly affects cash flow</li> <li>• net cash flow negative for first three months</li> <li>• negative closing balance for August and September</li> <li>• overdraft facility required (minimum of £5000)</li> <li>• positive closing balance for December – no cause for alarm?</li> <li>• is this the usual cash flow pattern for this store?</li> <li>• accuracy of forecast?</li> </ul> <p>Exemplar response:</p> <p>e.g. <i>Convenience Corner's</i> cash inflows generally increases over the next six months (L1), its cash outflows are more variable and show no particular trend (L1). The negative closing balance in August and September indicates that an overdraft facility will be required (L2). Kirsten should request a minimum overdraft of £5000, possibly more depending on the likely timings of cash inflows and outflows during September and the accuracy of her cash flow forecast (L2).</p>	4	<p><b>Levels of response</b></p> <p><b>Level 2 (3 – 4 marks)</b> Candidate analyses <i>Convenience Corner's</i> cash flow position.</p> <p><b>Level 1 (1 – 2 marks)</b> Candidate describes <i>Convenience Corner's</i> cash flow position.</p>

Question	Answer	Marks	Guidance
<p><b>31</b> (c)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• suppliers</li> <li>• lenders/financiers</li> <li>• potential partner</li> <li>• customers</li> <li>• competitors</li> <li>• central government e.g. H.M.R.C.</li> <li>• local community</li> <li>• pressure groups.</li> </ul> <p>Exemplar responses:</p> <p>e.g. Suppliers <b>(1)</b> would be interested in <i>Convenience Corner's</i> cash flow forecast to see whether the business is likely to have sufficient funds to pay for the stock it wishes to purchase from them <b>(1)</b>, before it offers the business trade credit <b>(1)</b>.</p>	3	<p>One mark for a correct identification of an external stakeholder group, plus one further mark for a correct identification of their interest and a further one mark for an explanation.</p> <p>Do <b>not</b> award 'shareholders' as <i>Convenience Corner</i> operates as a sole trader.</p>
<p><b>32</b></p>	<p>Use level of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• reduce the number of sales assistants/number on shift at any one time</li> <li>• reduce wage rate to minimum wage</li> <li>• reduce fixed costs</li> <li>• find a cheaper supplier</li> <li>• reduce prices/mark-up</li> <li>• improve cash flow management</li> <li>• improve stock control</li> <li>• improve staff training – e.g. greeting customers</li> <li>• change product range</li> </ul>	12	<p><b>Levels of response</b></p> <p><b>Level 4 (10 – 12 marks)</b> Candidate evaluates how <i>Convenience Corner</i> could respond to the increased competition from the supermarket.</p> <p><b>Level 3 (7 – 9 marks)</b> Candidate analyses ways in which <i>Convenience Corner</i> could respond to increased competition.</p> <p><b>Level 2 (4 – 6 marks)</b> Candidate explains ways in which <i>Convenience Corner</i> could respond to</p>

Question	Answer	Marks	Guidance
	<ul style="list-style-type: none"> <li>• sell less mainline items that cannot be found in the supermarket</li> <li>• expand specialist food sections e.g. vegetarian, international, organic</li> <li>• concentrate on product sourcing e.g. local/ fairtrade</li> <li>• strengthen personal service e.g. offer a savings club, second hand sales board, raffles</li> <li>• improve levels of customer service</li> <li>• be environmentally friendly e.g. recycling facilities, packaging, carbon footprint, waste reduction</li> <li>• offer additional services e.g. newspaper delivery, lottery tickets, cash dispenser, notice board</li>   <li>• emphasise business strengths e.g. location, opening hours, personal service</li> <li>• extend opening hours/permanent 24 hour opening</li> <li>• use non-price competition</li> <li>• use innovative promotions</li> <li>• encourage customer loyalty e.g. loyalty cards</li> <li>• local marketing/advertising campaign</li> <li>• sponsor/support local clubs/groups.</li> </ul> <p>Exemplar response:</p> <p>e.g. If Kirsten introduced a loyalty card scheme <b>(L1)</b> where, for example, customers received one stamp every time they spend £20 <b>(L2)</b> she might be able to encourage shoppers to increase their average spend at the store, increasing the volume of sales <b>(L3)</b>.</p> <p>Kirsten could also sell products that are not available in the local supermarket <b>(L1)</b>. Expanding the specialist sections which the store already has of vegetarian, international and organic food would seem a good way to start as these foods must already be in demand <b>(L2)</b>. This would encourage more customers to visit the store to purchase these items increasing footfall and,</p>		<p>increased competition.</p> <p><b>Level 1 (1 – 3 marks)</b> Candidate identifies ways to respond to increased competition.</p>



Question	Answer	Marks	Guidance
	<p>hopefully, sales <b>(L3)</b>.</p> <p>Operating a loyalty card scheme could prove difficult. Without an investment in technology allowing plastic cards to be used, the sales assistants would likely have to use a manual card stamping process. This would delay service at the till and may be open to fraud. Instead I would recommend that Kirsten stocks specialist products in the store which are not available in the normal supermarket. This should cause no additional complications for the sales assistants at the point of sale and, because such goods normally carry a premium price, can lead to increased profits as well as sales <b>(L4)</b>.</p>		