



Oxford Cambridge and RSA

A Level Business

H431/01 Operating in a local business environment

Monday 12 June 2017 – Afternoon

Time allowed: 2 hours



You must have:

- the Resource Booklet

You may use:

- a calculator



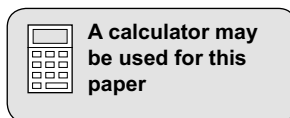
First name										
Last name										
Centre number						Candidate number				

INSTRUCTIONS

- Use black ink.
- Complete the boxes above with your name, centre number and candidate number.
- Answer **all** the questions.
- Write your answer to each question in the space provided. If additional space is required, use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.
- Do **not** write in the barcodes.
- The Resource booklet is for Section B only.

INFORMATION

- The total mark for this paper is **80**.
- The marks for each question are shown in brackets [].
- Quality of extended responses will be assessed in questions marked with an asterisk (*).
- This document consists of **20** pages.



Section A

Answer **all** the questions.

1 A toiletries manufacturer uses a continuous production line to make its toothpaste. This is an example of:

(a) batch production

(b) cell production

(c) flow production

(d) job production

[1]

2 The best definition of 'market growth' is:

(a) an increase in manufacturing output

(b) an increase in market share

(c) an increase in market size

(d) an increase in monopoly power

[1]

3 A UK mining company has spent \$4 million on equipment from the USA. The exchange rate is \$1 = £0.66.

The cost of the equipment in pounds sterling is:

(a) £60 606

(b) £2 640 000

(c) £6 060 606

(d) £264 000 000

[1]

- 4 Tooko is a small shop which sells greeting cards and party gifts. The business trades as a partnership.

Which of the following sources of finance would it be **most** appropriate for Tooko to use to purchase stock?

- (a) Hire purchase
- (b) Mortgage
- (c) Sell shares
- (d) Trade credit

[1]

- 5 Which of the following is **not** a valid way to calculate profit?

- (a) Current assets minus current liabilities
- (b) Revenue minus costs
- (c) Sales minus cost of goods sold and expenses
- (d) Unit contribution multiplied by margin of safety

[1]

- 6 Which of the following is one of Porter's Five Forces?

- (a) Buyer power
- (b) Inflation
- (c) Stakeholder rivalry
- (d) Technological change

[1]

- 7 The Human Resources Manager of a shoe manufacturer has collected the following data for 2016.

Department	Average number of full-time staff employed	Number of staff who left during the year
Sales	16	5
Marketing	10	3
Production	24	4
Administration	10	0

The rate of labour turnover of the business in 2016 was:

(a) 0.2%

(b) 2.4%

(c) 20%

(d) 24%

[1]

- 8 A small business bases its cost forecasts on the previous year's costs. In 2017, it expects its fixed costs to increase by 5% and variable costs to increase by 10%.

Costs and output figures for 2016 are shown in the table below.

Fixed Costs (£)	Variable Costs Per Unit (£)	Output in units
3000	20	400

If output in 2017 is estimated to be 450 units, the forecasted total costs for 2017 will be:

(a) £3172

(b) £11950

(c) £12000

(d) £13050

[1]

- 9 A magazine is conducting customer research on 12 restaurants. The researchers interviewed 10 customers at random from each restaurant.

Which one of the following sampling methods is the magazine using?

- (a) Convenience sampling
- (b) Quota sampling
- (c) Random sampling
- (d) Systematic sampling

[1]

- 10 According to Locke's goal setting theory, which one of the following is **not** a requirement for effective goal-setting?

- (a) Goals have to be specific
- (b) Goals must be complex
- (c) Goals need to be challenging
- (d) Goals should be clear

[1]

- 11 A retailer has always sold children's books. It has now added children's toys and games to its product range.

Into which of the four quadrants of Ansoff's Matrix does this growth strategy fit?

- (a) Diversification
- (b) Market development
- (c) Market penetration
- (d) Product development

[1]

- 12 A company has budgeted its marketing costs to be £5,000 a month. Its actual marketing costs averaged £17,000 a quarter.

The company's percentage marketing variance is approximately:

- (a) 11.76% adverse
- (b) 13.33% adverse
- (c) 13.33% favourable
- (d) 15.00% favourable

[1]

- 13 A soft drinks manufacturer co-operating with a sports science company to develop a new sports drink is an example of:

- (a) a strategic alliance
- (b) outsourcing
- (c) trade liberalisation
- (d) value analysis

[1]

- 14 Which of the following is a benefit of political stability to a business?

- (a) Increased business risk
- (b) Increased economic certainty
- (c) Reduced buyer confidence
- (d) Reduced corporate investment

[1]

- 15 The three steps of the ATR marketing model are:

- (a) advertising, targets, results
- (b) advertising, trial, results
- (c) awareness, targets, repurchase
- (d) awareness, trial, repurchase

[1]

18* ‘... the years following the 2008 recession were difficult, although the Bank of England’s decision to keep the UK interest rate very low certainly helped WFC’ (Lines 24–26).

Evaluate how a fall in the UK interest rate could affect WFC. [15]

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- 19 (a)** Assume that WFC’s fixed costs are £4,000 per month and the average variable cost of a meal is £2.75.

Calculate WFC’s break-even level of sales per month.

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- (b)*** Discuss the usefulness of break-even analysis as a decision-making tool for Will in running WFC. **[15]**

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20 (a) Calculate the percentage increase in sales per month which Will would need to achieve in order to reach his objective of the shop operating at full capacity by 2020.

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(b)* Using quantitative and qualitative evidence, evaluate a strategy for Will to reach his objective of increasing sales so that the shop’s capacity can be fully utilised by 2020. [15]

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END OF QUESTION PAPER