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# A-level BUSINESS

Paper 1 Business 1

Monday 12 June 2017

Afternoon

Time allowed: 2 hours

## Materials

For this paper you must have:

- a calculator.

## Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions in **Section A** and **Section B**.
- Answer **one** question from **Section C** and **one** question from **Section D**.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this answer book. Cross through any work that you do not want to be marked.

## Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 100.

For Examiner's Use	
Question	Mark
Section A	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
<b>TOTAL</b>	



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## Section A

Answer **all** questions in this section.

Only **one** answer per question is allowed.


For each answer completely fill in the circle alongside the appropriate answer.


CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

**0** **1**

A farmer takes over a retailer in order to sell its produce. This is an example of

- A horizontal integration.
- B backward vertical integration.
- C forward vertical integration.
- D conglomerate integration.



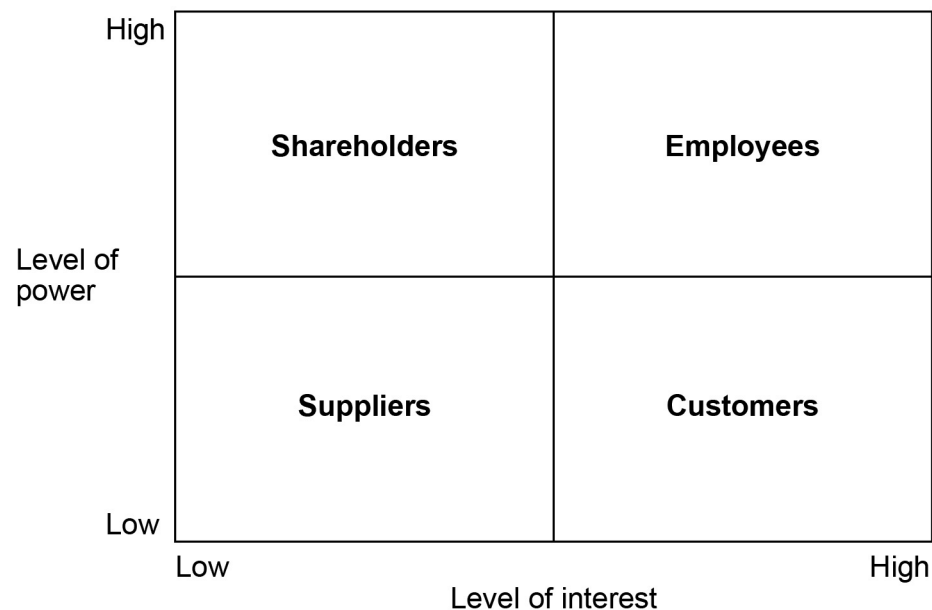


[1 mark]

**0** **2**

**Figure 1** below shows a stakeholder map.

**Figure 1:** Stakeholder map



For this particular business, which stakeholder group is most likely to influence this business' management decision-making?

- A** Suppliers
- B** Customers
- C** Shareholders
- D** Employees

[1 mark]

0 3

A business experiencing a lower level of capacity utilisation than usual may benefit because it

- A** reduces the average costs of production.
- B** provides more time for maintenance and repair of machinery.
- C** can increase employee morale, because employees feel more secure in their jobs.
- D** represents a more efficient use of capital equipment.

[1 mark]

0 4

The information below is an extract from a company's annual accounts.

- Current assets: £3 million
- Current liabilities: £2.4 million
- Non-current liabilities: £4.2 million
- Capital employed: £12 million

The company's gearing ratio is

- A** 35%
- B** 250%
- C** 20%
- D** 5%

[1 mark]



0 5

Options A to D below show four different combinations of monetary and fiscal policy. Which combination is most likely to lead to an increase in sales for a company that builds houses? Assume there are no other changes.

- A** Decreasing interest rates and decreasing taxation
- B** Decreasing interest rates and increasing taxation
- C** Increasing interest rates and decreasing taxation
- D** Increasing interest rates and increasing taxation

**[1 mark]**

0 6

A business helps its local community with a view to improving the quality of life of nearby residents. In Carroll's pyramid of corporate social responsibility, this is most likely to be an example of

- A** economic responsibility.
- B** ethical responsibility.
- C** legal responsibility.
- D** philanthropic responsibility.

**[1 mark]**

0 7

An approach to examine the impact of possible changes on the predicted financial outcome of an investment is known as

- A** investment criteria.
- B** non-financial factors.
- C** sensitivity analysis.
- D** the discount rate.

**[1 mark]**

0 8

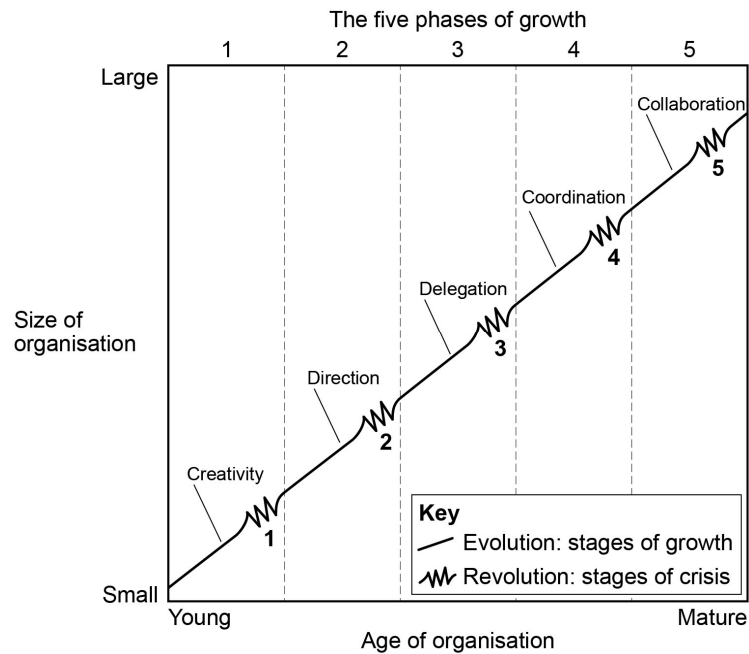
Starbucks is an American coffee shop. In recent years it has opened over 300 tea shops in America to appeal to its existing customers. According to Ansoff's matrix this is an example of

- A diversification.
- B market development.
- C market penetration.
- D product development.

[1 mark]

0 9

Which type of crisis is most likely to occur at point 3 of Greiner's model of growth shown below?



- A Leadership crisis
- B Autonomy crisis
- C Red tape crisis
- D Control crisis

[1 mark]



1 0

Figure 2 below contains data on the costs of producing a given product.

Figure 2

Output (units)	Total costs (£)
0	40
1	80
2	110
3	150

Calculate the total variable costs of producing 3 units of output.

A £30

B £40

C £100

D £110

[1 mark]

1 1

Statement 1: 'According to Taylor, piece rate payments will **usually** motivate workers.'

Statement 2: 'According to Herzberg, piece rate payments will **usually** motivate workers.'

Read statements 1 and 2 and select the correct option from the following options:

A Statement 1 is true. Statement 2 is true

B Statement 1 is true. Statement 2 is false

C Statement 1 is false. Statement 2 is true

D Statement 1 is false. Statement 2 is false

[1 mark]



1 2

According to Lewin's force field analysis

- A** change will occur if driving forces are stronger than restraining forces.
- B** change will occur if negative forces equal positive forces.
- C** a company will grow if its strengths and opportunities outweigh its weaknesses and threats.
- D** a company will grow if horizontal forces and vertical forces are balanced.

[1 mark]

1 3

Statement 1: 'Penetration pricing is more likely to be used if demand is price inelastic.'

Statement 2: 'Price skimming is more likely to be used if demand is price elastic.'

**Read statements 1 and 2 and** select the correct option from the following options:

- A** Statement 1 is true. Statement 2 is true
- B** Statement 1 is true. Statement 2 is false
- C** Statement 1 is false. Statement 2 is true
- D** Statement 1 is false. Statement 2 is false

[1 mark]

1 4

In a business each employee has a job with clear rules and procedures. Which of Handy's cultures does this description most closely correspond to?

- A** Person culture
- B** Power culture
- C** Role culture
- D** Task culture

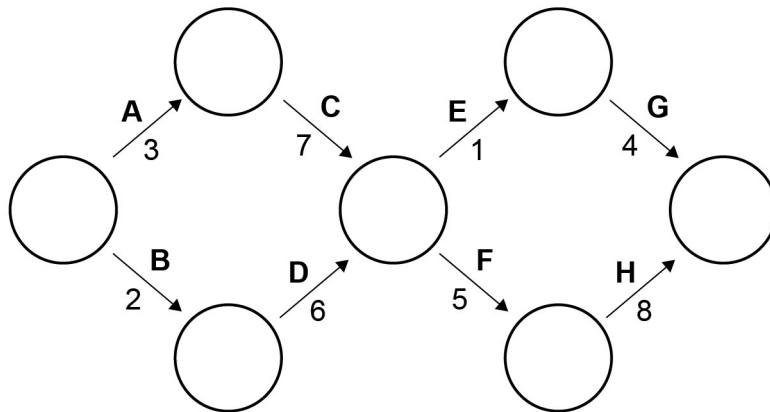
[1 mark]



1 5

The network in **Figure 3** shows the activities involved in the launch of a new product. All timings are in days.

**Figure 3:** Network for the launch of a new product



The duration of the critical path for this network is:

- A 23 days
- B 21 days
- C 15 days
- D 13 days





[1 mark]

15





**Turn over for the next section**

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**Section B**

Answer **all** questions in this section.

The data in **Figure 4** shows the expected financial outcomes of an investment into new equipment.

**Figure 4**

Year	Annual inflows (£000)	Annual outflows (£000)	Net return (£000)	Discount factor (5%)
0	0	50	(50)	1.00
1	30	17	13	0.95
2	40	12	28	0.91
3	40	13	27	0.86

**1 6**

Based on the data in **Figure 4**, calculate the payback of the investment.

**[3 marks]**

Payback \_\_\_\_\_

Workings \_\_\_\_\_

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1 7

Based on the data in **Figure 4**, calculate the Net Present Value of the investment.

**[4 marks]**

Net Present Value \_\_\_\_\_

Workings \_\_\_\_\_

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1 8

A fashion chain decides to switch to 'fair trade' clothing in its shops. Explain **one** possible consequence for the fashion chain.

**[4 marks]**

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Explain how the use of break-even analysis might help an entrepreneur make decisions about the start-up of a new business.

**[6 marks]**

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<b>6</b>



**2** **0**

A café sells two types of hot drinks. These drinks have the following income elasticities of demand:

	<b>Income elasticity of demand</b>
Coffee	+2.0
Tea	-0.5

The volume of coffee sales is several times greater than the volume of tea sales. Based on the information above, analyse how the café's overall sales volume of hot drinks would be affected by a rise in consumers' incomes. Assume there are no other changes.

**[9 marks]**

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Use the data in **Figure 5** to explain how the use of debt factoring would benefit ABC Ltd.

**[9 marks]**

**Figure 5:** Extracts from the balance sheet of ABC Ltd.

	31.3.2015 (£000)	31.3.2016 (£000)	31.3.2017 (£000)
Inventories	200	230	250
Receivables	300	500	690
Cash	400	200	0
<b>Total current assets</b>	<b>900</b>	<b>930</b>	<b>940</b>
Payables	500	530	550

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9

**Turn over for Section C**



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**Section C**

Answer **either** Question 22 **or** Question 23.

Shade the lozenge below to indicate which optional question(s) you have answered.

Question 

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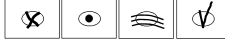
Question 

2	3	<input type="radio"/>
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CORRECT METHOD



WRONG METHODS



2	2
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A business wants to increase the productivity of its workforce.

To what extent is the greater use of delegation likely to be an effective way for the business to achieve this?

**[25 marks]**

**OR**

2	3
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A business has recently started to use Elkington's Triple Bottom Line to assess its overall performance.

To what extent do you think the business is likely to have lower profits as a result of this?

**[25 marks]**

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Turn over for Section D



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**Section D**

Answer **either** Question 24 **or** Question 25.

Shade the lozenge below to indicate which optional question(s) you have answered.

Question **2 4**

Question **2 5**

CORRECT METHOD



WRONG METHODS



**2 4**

A business has had a record of poor innovation for many years.

To what extent do you think that if the business increases its investment spending on innovation this will lead to more success in this area?

**[25 marks]**

**OR**

**2 5**

A business is experiencing a fall in its market share.

To what extent might the greater use of digital technology enable the business to increase its market share?

**[25 marks]**

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**END OF QUESTIONS**



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