



**Surname** \_\_\_\_\_

**Other Names** \_\_\_\_\_

**Centre Number** \_\_\_\_\_

**Candidate Number** \_\_\_\_\_

**Candidate Signature** \_\_\_\_\_

**A-level  
BUSINESS**

**Paper 1 Business 1**

**7132/1**

**Thursday 7 June 2018      Afternoon**

**Time allowed: 2 hours**

**For this paper you must have:**

- a calculator.

**At the top of the page, write your surname and other names, your centre number, your candidate number and add your signature.**

**[Turn over]**



# INSTRUCTIONS

- **Use black ink or black ball-point pen.**
- **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 on blank pages.**
- **Do all rough work in this answer book. Cross through any work you do not want to be marked.**



## **INFORMATION**

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

**DO NOT TURN OVER UNTIL TOLD TO DO SO**



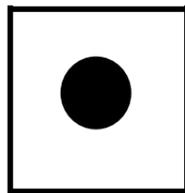
**SECTION A**

**Answer ALL questions in this section.**

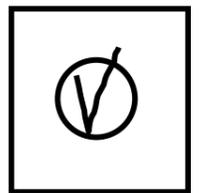
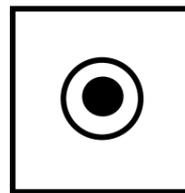
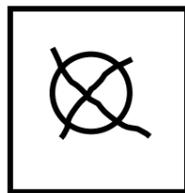
**Only ONE answer per question is allowed.**

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

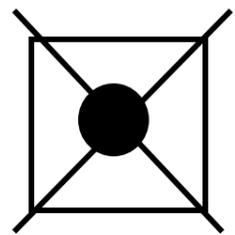
**CORRECT METHOD**



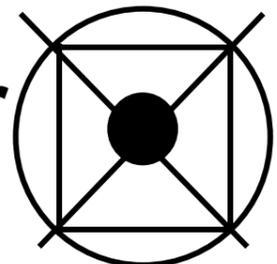
**WRONG METHODS**



**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
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**The Blake Mouton grid classifies leaders and managers according to their concerns for  
[1 mark]**

**A environment and people.**

**B law and production (task).**

**C environment and law.**

**D people and production (task).**

**[Turn over]**



0	2
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**In a SWOT analysis of a business, which ONE of the following statements is TRUE? [1 mark]**

**A An inefficient quality assurance system is a threat.**

**B Lower unemployment leading to increased demand is a strength.**

**C New legislation that requires a business to modify its products is a weakness.**

**D The liquidation of a competitor is an opportunity.**

**0 3** **Statement 1: ‘Sole traders are usually private sector organisations.’**

**Statement 2: ‘Public limited companies are usually public sector organisations.’**

**Read statements 1 AND 2 and select the correct option from the following: [1 mark]**

**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.**

**[Turn over]**



**0 4** The grid below shows a market map for television sets.

	Low quality	High quality
High price	A	B
Low price	C	D

**Based on Bowman's strategic clock, the manufacturer of a television uses a strategy of focused differentiation.**

**In which segment of the market map is this television most likely to be placed? [1 mark]**

A A

B B

C C

D D

**0 5** Which ONE of these changes would lead to an increase in the level of output needed to break-even?

**A decrease in  
[1 mark]**

**A fixed costs.**

**B margin of safety.**

**C unit selling price.**

**D variable costs per unit.**

**[Turn over]**



0	6
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**Lower UK interest rates are likely to lead to an increase in the volume of UK exports because they probably lead to**  
**[1 mark]**

**A a rise in costs of UK businesses and a rise in the exchange rate of the pound.**

**B a rise in costs of UK businesses and a fall in the exchange rate of the pound.**

**C a fall in costs of UK businesses and a rise in the exchange rate of the pound.**

**D a fall in costs of UK businesses and a fall in the exchange rate of the pound.**

0	7
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**A business has more current liabilities than current assets and shareholders provide 90% of its capital employed.**

**This business has  
[1 mark]**

**A a high current ratio and high gearing.**

**B a high current ratio and low gearing.**

**C a low current ratio and high gearing.**

**D a low current ratio and low gearing.**

**[Turn over]**



**0 8** The table below shows an extract from a business's annual budget.

**Budget information for Company X  
for year ending 31 March 2018**

	<b>Budgeted (£m)</b>	<b>Actual (£m)</b>
<b>Income</b>	<b>125</b>	<b>114</b>
<b>Expenditure</b>	<b>98</b>	<b>85</b>
<b>Profit</b>	<b>27</b>	<b>29</b>

**Based on these data, which of the following statements is TRUE?  
[1 mark]**

**A Income variance was adverse and profit variance was favourable.**

**B Income variance was favourable and profit variance was adverse.**

**C Expenditure variance was adverse and profit variance was adverse.**

**D Expenditure variance was adverse and profit variance was favourable.**

**[Turn over]**

0	9
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**According to Porter's five forces, which ONE of these events is most likely to help a business's profitability? [1 mark]**

**A A decrease in supplier power.**

**B A new entrant into the market.**

**C An increase in buyer power.**

**D New product development by a competitor.**

1	0
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**Which ONE of the following statements is TRUE? [1 mark]**

**A Backward vertical integration is impossible for a retailer.**

**B Conglomerate integration narrows the product range.**

**C Forward vertical integration allows a business better access to its raw materials.**

**D Horizontal integration should give a business an immediate increase in market share.**

**[Turn over]**



**1 | 1** The grid below refers to two of the factors that Hofstede included in his view of national cultures.

	<b>Low UAI (Uncertainty Avoidance Index)</b>	<b>High UAI (Uncertainty Avoidance Index)</b>
<b>High LTO (Long-term Orientation)</b>	<b>A</b>	<b>B</b>
<b>Low LTO (Long-term Orientation)</b>	<b>C</b>	<b>D</b>

**A business locates in a country where people take risks and look for immediate results.**

**According to Hofstede, the culture of this country is shown by segment**

**[1 mark]**

**A**

**A**

**B**

**B**

**C**

**C**

**D**

**D**

**[Turn over]**

1	2
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**A business overcomes resistance to change by giving a highly rewarded role in the process to the trade union leader.**

**According to Kotter & Schlesinger, this method is  
[1 mark]**

**A education and communication.**

**B explicit coercion.**

**C facilitation and support.**

**D manipulation and co-option.**

1	3
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**A UK-based manufacturer plans to enter international markets.**

**In order to keep control of production and reduce the risks of future currency fluctuations affecting the prices of its goods and services sold abroad, its best option is  
[1 mark]**

**A direct investment.**

**B exporting.**

**C forming alliances.**

**D licensing.**

**[Turn over]**



1	4
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**Statement 1: ‘An emergent strategy is an initially unplanned strategy which arises in response to change.’**

**Statement 2: ‘Strategic drift occurs when a planned strategy is continually modified in response to changes.’**

**Read statements 1 AND 2 and select the correct option from the following: [1 mark]**

**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	5
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**A factory has just experienced a zero level of inventory. It wishes to have a buffer level of inventory of 80 units. It uses 35 units per day and has a lead time of 5 days with its supplier.**

**Its re-order level is  
[1 mark]**

**A 80 units.**

**B 95 units.**

**C 175 units.**

**D 255 units.**

**[Turn over]**

<b>15</b>



**SECTION B**

**Answer ALL questions in this section.**

**The data below shows the weekly output and costs of a single-product firm and should be used for QUESTION 16.**

- **Total costs = £80 000**
- **Profit = £20 000**
- **Labour costs = 42% of turnover**
- **Labour costs per unit = 84 pence**
- **Labour productivity = 25 units per employee**

**1 6 Calculate the weekly output of the firm in units. [4 marks]**

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- 1 8** The table below shows the changes in the average annual labour turnover rates for BBB plc and its competitors.

<b>Time period</b>	<b>Annual labour turnover (%) (average for BBB plc)</b>	<b>Annual labour turnover (%) (average for competitors)</b>
<b>1978–1987</b>	<b>15</b>	<b>15</b>
<b>1988–1997</b>	<b>12</b>	<b>18</b>
<b>1998–2007</b>	<b>10</b>	<b>18</b>
<b>2008–2017</b>	<b>8</b>	<b>23</b>

**Analyse how the changes in these data over time might have affected the ability of BBB plc to provide higher-quality products than its competitors. [9 marks]**



















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**SECTION C**

**Answer EITHER Question 21 OR  
Question 22.**

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

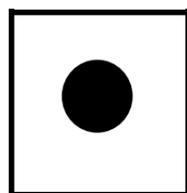
**Question**

2	1
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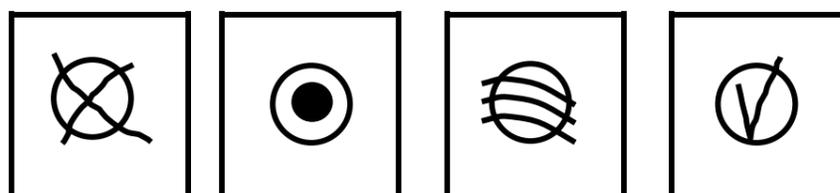
 **Question**

2	2
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**CORRECT METHOD**



**WRONG METHODS**



**[Turn over]**

**2 1** Evaluate the extent to which the use of stakeholder mapping can help the managers of a public limited company to manage change more effectively. [25 marks]

**OR**

**2 2** A UK business has experienced slow growth in sales in recent years. It has decided to achieve higher growth through new product development.

**Do you believe that this is a more risky strategy than market development? Justify your view. [25 marks]**























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**SECTION D**

**Answer EITHER Question 23 OR  
Question 24.**

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

Question 

2	3
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 Question 

2	4
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**CORRECT METHOD**

**WRONG METHODS**

**[Turn over]**

**2 3** To what extent do you think that UK businesses will experience a fall in profit if governments limit free trade by adopting more protectionist policies? [25 marks]

**OR**

**2 4** Are demographic factors now more significant than economic factors in influencing the performance of UK businesses? Justify your view. [25 marks]





















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

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**IB/M/Jun18/NC/7132/1/E2**

