



Oxford Cambridge and RSA

Friday 15 May 2020 – Afternoon

AS Level Business

H031/01 The local business environment

Time allowed: 1 hour 30 minutes



You must have:

- the Resource Booklet

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 _____

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 Resource Booklet to answer the questions in **Section B**.
- Answer **all** the questions.

INFORMATION

- The total mark for this paper is **60**.
- The marks for each question are shown in brackets [].
- Quality of extended response will be assessed in questions marked with an asterisk (*).
- This document has **16** pages.

ADVICE

- Read each question carefully before you start your answer.

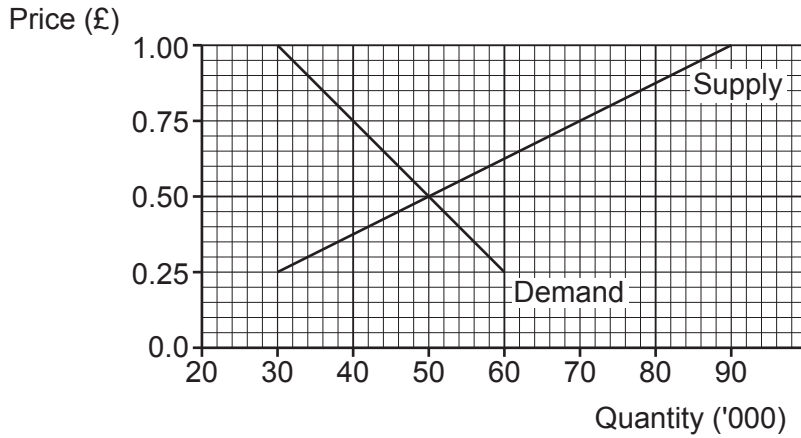
Section A

Answer **all** the questions.

Put a tick (✓) in the box next to the **one** correct answer for each question.

- 1 A charity shop which raises money to protect wildlife is an example of:
- (a) a secondary organisation which operates in the private sector
 - (b) a secondary organisation which operates in the third sector
 - (c) a tertiary organisation which operates in the private sector
 - (d) a tertiary organisation which operates in the third sector
- [1]
- 2 Jakeman & Hicks is a business partnership. Which of the following are internal stakeholders of Jakeman & Hicks?
- (a) Customers
 - (b) Directors
 - (c) Employees
 - (d) Suppliers
- [1]
- 3 Uncertainty:
- (a) makes decision-making easier
 - (b) makes planning more difficult
 - (c) reduces the likelihood of adverse events occurring
 - (d) reduces the risk of making poor decisions
- [1]
- 4 Which of the following is a financial measure of business performance?
- (a) Labour turnover
 - (b) Margin of safety
 - (c) Market share
 - (d) Return on equity
- [1]

5 The diagram below shows the market for a health drink, called Xan.

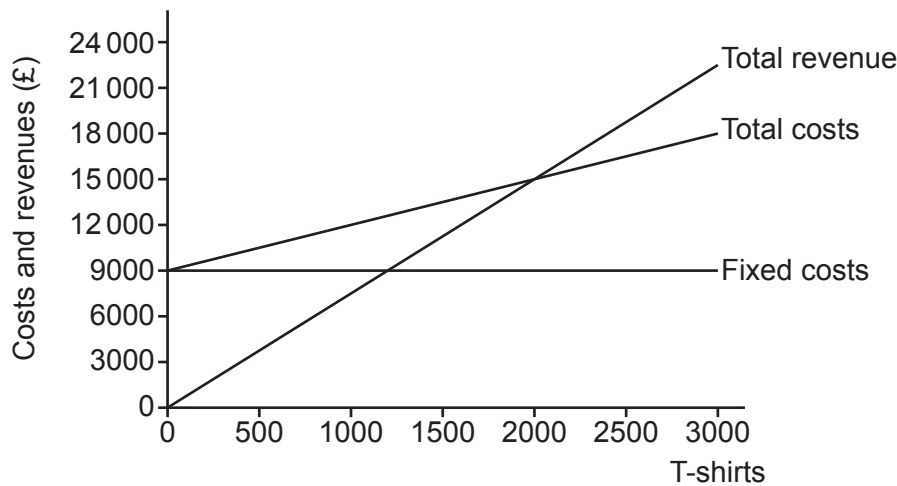


If the market price for Xan was £0.75, the market would experience:

- (a) a shortage of 10 000 units
- (b) a shortage of 30 000 units
- (c) an excess supply of 30 000 units
- (d) an excess supply of 60 000 units

[1]

6 Pavel, a market trader, sells printed T-shirts. A break-even graph for Pavel's business is shown below.



The break-even point for Pavel's business is:

- (a) £2000
- (b) 2000 T-shirts
- (c) £15000
- (d) 15000 T-shirts

[1]

- 7 A clothing manufacturer wishes to open an additional production facility at a cost of £8 million. Forecast net cash-flow figures, together with discount factors at 10%, are shown in the table below.

Year	Forecast net cash-flow	10% discount factor
0	(£8 million)	1.000
1	£2 million	0.909
2	£4 million	0.826
3	£4 million	0.751

Calculate the net present value (NPV), with a 10% discount factor, of this investment over a three-year period.

- (a) £126 000
 (b) £3 004 000
 (c) £8 126 000
 (d) £16 126 000

[1]

- 8 Which of the following would be found in a statement of financial position?

- (a) Budget variance
 (b) Cost of sales
 (c) Gross profit
 (d) Trade payables

[1]

- 9 Which of the following is **not** a feature of a decentralised organisation?

- (a) Problems can be solved by those at all levels of the hierarchy
 (b) Regional offices are permitted to make decisions
 (c) The chief executive is involved in setting all tactical objectives
 (d) The span of control is wide

[1]

- 10 Noel works as a junior member of the finance department in a large multinational company. Noel's workforce performance is being appraised.

Which of the following people is **least** likely to be asked to directly contribute to Noel's appraisal?

- (a) Noel
- (b) Noel's line manager
- (c) Noel's peers
- (d) The Finance Director
- [1]

- 11 In a business organisation, 'whistle blowing':

- (a) exposes wrongdoing within an organisation
- (b) monitors the strength of a firm's competition
- (c) promotes the unique selling point of a business
- (d) rewards employees for meeting targets
- [1]

- 12 A manufacturing company always tries to produce new products which meet the specific needs of a market segment.

The company is **best** described as being:

- (a) action-centred
- (b) customer orientated
- (c) product orientated
- (d) productively efficient
- [1]

- 13 A market research group has estimated that increasing the price of a cinema ticket from £10 to £14 would reduce the demand for ice cream sold at the cinema from 1000 tubs per day to 800 tubs per day.

The cross elasticity of demand between the price of cinema tickets and ice cream is:

- (a) -0.86
- (b) -0.5
- (c) 0.02%
- (d) 50%
- [1]

14 Rail transport is an example of a:

- (a) channel of distribution
- (b) digital method of distribution
- (c) non-physical market
- (d) physical distribution method

[1]

15 A bakery operates 365 days a year. Each day, it bakes biscuits in the morning, cakes in the afternoon, pastries in the evening and bread overnight.

Which is the **most likely** method of production used by the bakery?

- (a) Batch production
- (b) Cell production
- (c) Flow production
- (d) Job production

[1]

Section B

Answer **all** the questions.

Use the information provided in the **Resource Booklet** to answer the following questions.

16 Explain **two** factors of production needed by a new business.

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[4]

17 Identify **one** disadvantage to The Cow Shed of setting up as a private limited company.

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..... [1]

18 Explain **two** benefits to Michelle and Mark of carrying out primary market research **before** opening the café.

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[4]

19* Other than its current use of social media, evaluate promotional strategies The Cow Shed could use in the future. [12]

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20 Refer to **Extract E**.

Calculate the percentage market growth in coffee shop sales that is forecast to occur between 2016 and 2021.

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Answer [2]

21 Explain **one** social factor which could affect The Cow Shed.

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..... [2]

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END OF QUESTION PAPER

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