

Level 3 Cambridge Technical in Business

05834/05835/05836/05837/05878

Unit 1: The business environment

Friday 18 May 2018 – Morning

Duration: 2 hours
C420/1806



You must have:

- a clean copy of the pre-release (Insert C421)

You may use:

- a calculator

First Name						Last Name				
Centre Number						Candidate Number				
Date of Birth	D	D	M	M	Y	Y	Y	Y		

INSTRUCTIONS

- Use black ink.
- Complete the boxes above with your name, centre number, candidate number and date of birth.
- 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).
- The pre-release research brief is required for **Section B** only.

INFORMATION

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

FOR EXAMINER USE ONLY	
Question No	Mark
Section A: 1-20	/20
Section B: 21	/2
22	/4
23	/4
24	/6
25	/4
Section C: 26	/1
27	/2
28	/3
29	/12
30	/7
31	/12
32	/12
33	/1
Total	/90

Section A

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

1 Which of the following is an example of an organisation that operates in the third sector?

(a) A beauty salon

(b) A carpet manufacturer

(c) A humanitarian aid charity

(d) A library

[1]

2 The legal form of ownership of a business trading as 'Pinton Ltd' is:

(a) a partnership

(b) a private limited company

(c) a public limited company

(d) a sole trader

[1]

3 Which functional area is **most** likely to purchase stationery supplies in a public sector organisation?

(a) Business support services

(b) Finance

(c) Procurement

(d) Sales

[1]

4 Which of the following is **not** a business growth objective?

(a) To add three additional services

(b) To double the size of the factory

(c) To increase market share by 2%

(d) To reduce variable costs by 5%

[1]

5 A UK company might be affected by a change in the sterling exchange rate because it:

(a) buys its raw materials from abroad

(b) has a centralised organisational structure

(c) is frequently overdrawn

(d) only sells its products in the UK

[1]

6 A business that adopts a flatter organisational structure is likely to have:

(a) a longer chain of command

(b) more managers

(c) slower decision making

(d) wider spans of control

[1]

7 What is meant by the term 'market share'?

- (a) The amount of profit distributed to shareholders
- (b) The number of firms that operate in a specific market
- (c) The percentage of an industry's total sales earned by one business
- (d) The total size of the market measured by sales volume

[1]

8 ABPR Ltd makes microphones. Its costs and revenues for 2018 are forecast to be:

- fixed costs: £1 100 000
- other expenses: £7 per microphone
- average selling price: £45 per microphone.

If ABPR Ltd makes and sells 50 000 microphones in 2018 it will:

- (a) make a loss of £800 000
- (b) make a loss of £1 900 000
- (c) make a profit of £800 000
- (d) make a profit of £1 900 000

[1]

9 Which one of the following is a requirement of the Consumer Rights Act?

- (a) Company logos must be unique
- (b) Customer data must be stored securely
- (c) Goods sold must be of satisfactory quality
- (d) Manufactured products must be low in price

[1]

10 A deed of partnership is:

- (a) a legal document which a partnership must have before it can start trading
- (b) a recommended document that includes how a partnership will be run
- (c) a written agreement stating that one business will supply goods to another business
- (d) an administrative document required by a public limited company

[1]

11 Which of the following is a benefit of using crowd-funding to finance a new business venture?

- (a) Getting the rewards wrong can mean giving too much of the business away
- (b) If the funding target is not met all funds pledged will need to be returned
- (c) It is a good way to test the public's reaction to a new product
- (d) The receipt of sufficient funds is guaranteed

[1]

12 A bakery is conducting a SWOT analysis. The bakery identifies that it sells its cakes at a lower price than its competitors.

In the SWOT analysis this would be recorded as a business:

- (a) strength
- (b) weakness
- (c) opportunity
- (d) threat

[1]

13 A community interest company (CIC):

- (a) does not have to comply with the Equality Act
- (b) has no legal status
- (c) is a social enterprise
- (d) pays lower rates of tax than other types of company

[1]

14 The table below shows data for Medicon and its two competitors.

	Medicon	Competitor A	Competitor B
Revenue	£500 000	£800 000	£2 000 000
Profit	£260 000	£300 000	£700 000

Based on the table above, which of the following statements can be justified?

- (a) Competitor A has lower costs than Medicon
- (b) Competitor A has made less money from sales than Medicon
- (c) Competitor B has a better cash flow position than Medicon
- (d) Competitor B has the highest costs

[1]

15 The command status of a company:

- (a) goes upwards through the communication paths
- (b) is shown by the horizontal lines on an organisation chart
- (c) refers to the chief executive and directors only
- (d) runs from the top of the organisation to the bottom

[1]

16 Which one of the following is **most** likely to be a key objective of a local government department?

(a) Collecting taxes

(b) Making a profit

(c) Providing a service

(d) Selling goods

[1]

17 Which of the following changes in the external environment of a business would be classified as a social factor?

(a) A reduction in taxation

(b) Greater availability of mobile technologies

(c) Increased disposable incomes

(d) The development of a clean alternative to petrol

[1]

18 Which of the following is a non-financial factor that may affect the success of a dairy farm?

(a) Animal health

(b) Milk prices

(c) Sales revenue

(d) The cost of animal feed

[1]

19 Customers are **most** likely to attempt to change the behaviour of a company by:

(a) boycotting the organisation

(b) refusing to supply to the company

(c) selling their shares

(d) withholding planning permission

[1]

20 The term 'cash flow' refers to:

(a) the amount of profit a business makes

(b) the circulation of money in and out of an organisation

(c) the fixed and variable costs of a business

(d) the point at which costs equal revenues

[1]

Section B

Answer **all** the questions in this Section.

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

21 Describe **one** way a business that you have researched promotes itself.

Name of business

Activity of business.....

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[2]

22 Explain **two** ways a business that you have researched could be more environmentally friendly.

Name of business

Activity of business.....

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[4]

23 Explain **one** legal and **one** non-legal consequence to a business that you have researched, of failing to comply with the Equality Act.

Name of business

Activity of business.....

Legal consequence

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Non-legal consequence

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[4]

24 Analyse **one** advantage and **one** disadvantage to a business that you have researched, of being organised by geographic location.

Name of business

Activity of business.....

Advantage

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Disadvantage

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[6]

25 Explain **one** way in which the human resources function and operations management function work together to benefit a business that you have researched.

Name of business

Activity of business.....

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[4]

Section C

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

Business scenario: *RB Builders*

In 2016 Robert, a fully qualified builder, planned the start up of his own business. Operating as a sole trader, *RB Builders* would build affordable 2-bedroomed houses suitable for first-time buyers.

RB Builders would build two houses at a time. Each pair of houses would take two months to build. Robert hoped that he could sell each house for £150 000. This would give the business a return of £20 000 per house, more than twice the 6% average for the industry. However, the business would not receive any revenue until a buyer was found for the first house. Robert produced a business plan, in order to secure a variable rate bank loan to cover the initial cost of buying the land. In January 2017 Robert left his current job; *RB Builders* employed four builders and began trading. Robert spent all his savings buying raw materials and tools, and hiring machinery.

Despite sometimes coming close to its £50 000 overdraft limit, *RB Builders* ended its first year of trading with a bank balance of £180 000. However, so far in 2018 it has only finished building two houses. One of these was sold for almost the full asking price of £150 000, the other was sold at a substantial discount for a quick sale. Two further houses are currently under construction. One of these is on a plot reserved by Ms Tait. Ms Tait requires the house urgently and has paid a £500 reservation fee. Robert has promised that the house will be ready in two weeks' time, but the project is falling behind. If the house is not completed on time, the business risks losing the sale.

Robert has asked his workforce to work extra hours at evenings and weekends to complete the house for Ms Tait. However, the employees are not happy even though overtime is paid. They cancelled family festivities just before Christmas to complete a house for Robert, but did not get a bonus or even a 'thank you'. Moreover, despite Robert paying himself an annual salary of £30 000, their pay is well below the going rate for qualified tradespeople. The employees also believe that Robert is putting their safety at risk by taking shortcuts to save money. One of the forklift trucks has a faulty throttle and they have had no training to use the bulldozer, in breach of the Health and Safety at Work Act.

The builders have asked to speak to Robert about their concerns. However, he claims that he is too busy. Robert is fed up of them moaning. He prefers to work with bricks rather than people.

A cash flow statement for *RB Builders* from January to April 2018 is shown in **Fig. 1** on page 13.

Fig. 1: Cash flow statement for *RB Builders*, January – April 2018

	Jan	Feb	Mar	Apr
Cash inflow:				
Sales revenue	£149 000	£140 000	£0	£0
Reservation fee	£500	£0	£500	£0
Total inflow	£149 500	£140 000	£500	£0
Cash outflow:				
Land	£120 000	£0	£120 000	£0
Raw materials e.g. bricks, timber, tiles	£44 000	£44 000	£44 000	£44 000
Wages and salaries (including Robert's salary and employee overtime)	£9000	£11 000	£9000	£10 000
Bank loan (currently 4% per annum)	£2000	£2000	£2000	£2000
Other expenses (including insurance, marketing and overdraft charges)	£14 500	£13 500	£14 500	£13 500
Total outflow	£189 500	£70 500	£189 500	£69 500
Net cash flow	(£40 000)	£69 500	(£189 000)	(£69 500)
Opening balance	£180 000	£140 000	£209 500	£20 500
Closing balance	£140 000	£209 500	£20 500	(£49 000)

All of the questions in Section C should be answered in relation to the business scenario on pages 12/13.

26 Businesses can be categorised into three activity types: primary, secondary or tertiary. Identify the activity type of *RB Builders*.

.....[1]

27 Robert produced a business plan to help him get a bank loan. Identify **two** items that should be included in a business plan.

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[2]

28 Other than poor planning, identify **three** reasons new business start-ups such as *RB Builders* fail.

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[3]

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30 *RB Builders*' estimated costs and revenues for 2018 are:

- fixed costs: £290 000 for the year
- variable cost: £105 000 per house
- revenue: £150 000 per house.

(a) Calculate the number of houses *RB Builders* needs to sell to break even in 2018.

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[3]

(b) Explain **two** ways *RB Builders* could lower its break-even point.

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32 Evaluate possible consequences to *RB Builders* if Robert continues to ignore the concerns of his workforce.

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33 Robert is considering taking on a business partner to share his workload.
Identify **one** disadvantage to Robert of taking on a business partner.

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END OF QUESTION PAPER

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