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A

AQA

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]

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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

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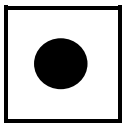
SECTION A

Answer ALL questions in this section.

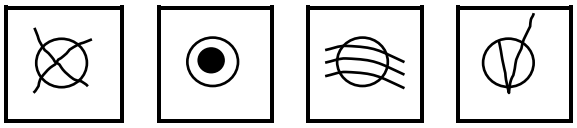
Only ONE answer per question is allowed.

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

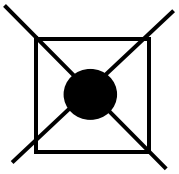
CORRECT METHOD



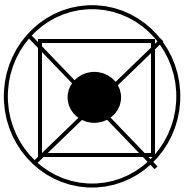
WRONG METHODS



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.



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0 1 **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).

0 2 **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.

[Turn over]

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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.**

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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

[Turn over]

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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.

0 6 **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.

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0 7 **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]

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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

	Budgeted (£m)	Actual (£m)
Income	125	114
Expenditure	98	85
Profit	27	29

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.

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0 9 **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 **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]

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

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

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**

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1 2 **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.**

[Turn over]

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1 3 **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.**

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14 **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.

[Turn over]

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15 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.

15

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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**

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

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4

1 7 **In 2007, a business had sales of £10 million in a market with a size of £125 million.**
In 2017 the business's sales were £12.6 million and its market share was 6%.

Calculate the percentage growth in the size of the market between 2007 and 2017. [4 marks]

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4

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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.**

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

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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[Turn over]

9

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1 9 **Analyse how introducing intrapreneurship can improve the financial performance of a business.**
[9 marks]

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[Turn over]

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9

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2 0 **Analyse how delayering might affect the level of profit of a business. [9 marks]**

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SECTION C

Answer EITHER Question 21 OR Question 22.

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

Question 21 ○ **Question 22** ○

CORRECT METHOD ●

WRONG METHODS ⊗ ⊙ ≋ ∅

21 **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

22 **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 lozenge below to indicate which optional question(s) you have answered.

Question 23 ○ **Question 24** ○

CORRECT METHOD ●

WRONG METHODS ⊗ ⊙ ≋ ∅

23 **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

24 **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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END OF QUESTIONS

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Question	Mark
Section A	
16	
17	
18	
19	
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21	
22	
23	
24	
TOTAL	

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