Monday 19 May 2014 – Afternoon

AS GCE APPLIED BUSINESS

F242/01 Understanding the Business Environment

Candidates answer on the Question Paper.

OCR supplied materials:
- Clean copy Case Study

Other materials required:
- A calculator may be used

Duration: 1 hour 30 minutes

Candidate forename		Candidate surname	

Centre number						Candidate number				

INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. HB pencil may be used for graphs and diagrams only.
- Answer **all** the questions.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- 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).
- Do **not** write in the bar codes.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets **[ ]** at the end of each question or part question.
- The total number of marks for this paper is **100**.
- Your quality of written communication will be assessed in the question marked with an asterisk (*).
- This document consists of **16** pages. Any blank pages are indicated.

A calculator may be used for this paper

1 **(a)** What is a co-operative?

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....

....

.... **[2]**

(b) Roger and Julie did consider operating *Sweet Papaya* as a partnership.

Outline **two** differences between a partnership and a co-operative.

1 ....

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2 ....

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[4]

(c) Analyse ways in which being a co-operative is likely to have influenced how *Sweet Papaya* is managed. **[9]**

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2 **(a)** Explain how the law impacts on *Sweet Papaya*.

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.... **[4]**

(b) **(i)** What is meant by the term 'ethical trading'?

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.... **[2]**

(ii) Identify and explain **two** ways in which *Sweet Papaya* could operate ethically.

1 ....

Explanation ....

....

....

2 ....

Explanation ....

....

....

[4]

(c) Evaluate the costs and benefits to *Sweet Papaya* of operating as an ethical business. **[12]**

3 **(a)** From the case study, identify **two** of *Sweet Papaya's* external stakeholders.

1 ....

2 ....
[2]

(b)* Evaluate which stakeholder group is likely to have the greatest impact on the decision-making process of *Sweet Papaya*. **[12]**

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4 (a) (i) The members of *Sweet Papaya* have agreed to rent the storeroom from the Students' Union. The table below shows some of the expenditure on transforming the storeroom into a functional shop and office.

Complete the variance analysis below by completing the unshaded boxes.

Item	Budget (£)	Actual (£)	Variance (£)	Variance (%)	Adverse/favourable
Electronic Till	200	180			
Refrigerators	400		50		Adverse
Fixtures		200	50		Favourable
Furniture	150			10	Adverse

[9]

(ii) Identify **two** sources of finance which *Sweet Papaya* could have used to fund this capital expenditure.

1 ....

2 ....
[2]

(b) Explain why historic budgeting would **not** have been suitable for *Sweet Papaya* when planning capital expenditure.

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.... **[2]**

(c) Identify and explain one **advantage** and one **disadvantage** to *Sweet Papaya* of using zero-based budgeting.

Advantage ....

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....

....

Disadvantage ....

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.... **[4]**

(d) Explain **two** reasons why budgetary control is important to *Sweet Papaya*.

1 ....

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2 ....

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.... **[4]**

5 Roger and Julie want to use break-even analysis in order to investigate some of the ideas raised at *Sweet Papaya's* recent monthly meeting.

(a) **(i)** State the formula for the calculation of the break-even level of output.

.... **[1]**

(ii) Why would the cost of renting the storeroom be classified as a fixed cost for *Sweet Papaya*?

....

.... **[1]**

(iii) Why would the cost of produce be classified as a variable cost for *Sweet Papaya*?

....

.... **[1]**

(b) **(i)** In order to cover the fixed cost of £50 per month rent which is to be charged to the boxes of fruit, the members of *Sweet Papaya* have agreed that the selling price of the fruit boxes should be increased to £4 per box. Each box of fruit costs *Sweet Papaya* £3.

Calculate the number of boxes of fruit which *Sweet Papaya* now needs to sell in order to break-even each month on its sales of fruit boxes.

Show your working:

Answer = ...

[2]

(ii) If in one month 80 boxes of fruit are sold, what will be the financial impact on *Sweet Papaya*?

....

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.... **[2]**

6 *Sweet Papaya* is now considering the introduction of ICT.

(a) Suggest how a database could be used by *Sweet Papaya*.

....

.... **[1]**

(b) Identify and explain **two advantages** to *Sweet Papaya* of introducing ICT.

1 ....

Explanation ....

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....

2 ....

Explanation ....

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....

[4]

(c) Identify and explain **two disadvantages** to *Sweet Papaya* of introducing ICT.

1 ....

Explanation ....

....

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2 ....

Explanation ....

....

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[4]

7 Evaluate likely consequences to *Sweet Papaya* of **not** keeping accurate financial records. **[12]**

END OF QUESTION PAPER

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