

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS  
AS GCE**

**F242/01**

**APPLIED BUSINESS**

**Understanding the Business  
Environment**

**MONDAY 19 MAY 2014: Afternoon**

**DURATION: 1 hour 30 minutes  
plus your additional time allowance**

**MODIFIED ENLARGED**

|                               |  |                              |  |
|-------------------------------|--|------------------------------|--|
| <b>Candidate<br/>forename</b> |  | <b>Candidate<br/>surname</b> |  |
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| <b>Centre<br/>number</b> |  |  |  |  |  | <b>Candidate<br/>number</b> |  |  |  |  |
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**Candidates answer on the Question Paper.**

**OCR SUPPLIED MATERIALS:**

**Clean copy Case Study**

**OTHER MATERIALS REQUIRED:**

**A calculator may be used**

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|---|
| <p><b>A calculator may be used<br/>for this paper</b></p> |
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**READ INSTRUCTIONS OVERLEAF**

## **INSTRUCTIONS TO CANDIDATES**

**Write your name, centre number and candidate number in the boxes on the first page. 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).**

## **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 (\*).**

**Any blank pages are indicated.**

**BLANK PAGE**

**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]**

**[9]**

[illegible]

[illegible]

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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** \_\_\_\_\_

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**2** \_\_\_\_\_

**Explanation** \_\_\_\_\_

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**[4]**

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

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[illegible]

[illegible]



[illegible]

[illegible]

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

**Complete the variance analysis opposite by completing the blank boxes. [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.**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ **[2]**



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

- (c) Identify and explain one **ADVANTAGE** and one **DISADVANTAGE** to 'Sweet Papaya' of using zero-based budgeting.

**Advantage** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Disadvantage** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**[4]**

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

**1** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**2** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**[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'?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[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** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

**2** \_\_\_\_\_

**Explanation** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

**[4]**

**(c) Identify and explain TWO DISADVANTAGES to 'Sweet Papaya' of introducing ICT.**

**1** \_\_\_\_\_

**Explanation** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**2** \_\_\_\_\_

**Explanation** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**[4]**

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

[illegible]



[illegible]

[illegible]

**END OF QUESTION PAPER**

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