



Oxford Cambridge and RSA

Monday 18 May 2015 – Morning

AS GCE APPLIED BUSINESS

F242/01 Understanding the Business Environment

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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

Duration: 1 hour 30 minutes



Candidate forename		Candidate surname	
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Centre number						Candidate number			
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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 **20** pages. Any blank pages are indicated.



A calculator may
be used for this
paper

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- 1 (a) Identify and explain **two** consequences to a business such as *talesofgems.com* of failing to keep accurate financial records.

1

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2

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[4]

- (b) Identify **two** ways in which *talesofgems.com* could use each of:

- (i) a spreadsheet;

1

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2

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[2]

- (ii) a database.

1

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2

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[2]

- (c) Explain how the features of:

- (i) an accounts package enables *talesofgems.com* to improve the accuracy of its financial records;

[2]

[2]

- (ii) word-processing software enables *talesofgems.com* to improve the presentation of its documents.

[2]

[2]

- (d) Analyse possible benefits to *talesofgems.com* of using IT for external communication. [9]

- 2 Using the grid below, carry out a SWOT analysis on *talesofgems.com*'s **current** market position by identifying **one**:

- strength
- weakness
- opportunity
- threat

and state how each factor impacts on *talesofgems.com*.

[8]

	Factor	How factor impacts on <i>talesofgems.com</i>
Strength		
Weakness		
Opportunity		
Threat		

- 3 (a) (i) Identify **two** short-term sources of finance available to a business.

1

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2

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[2]

- (ii) Identify **two** long-term sources of finance available to a business.

1

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2

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[2]

- (b)*** If Laura and Pippa decide to operate from the same premises, the cost of ensuring that the new shop frontage is fitted and decorated to a high standard would be approximately £20 000.

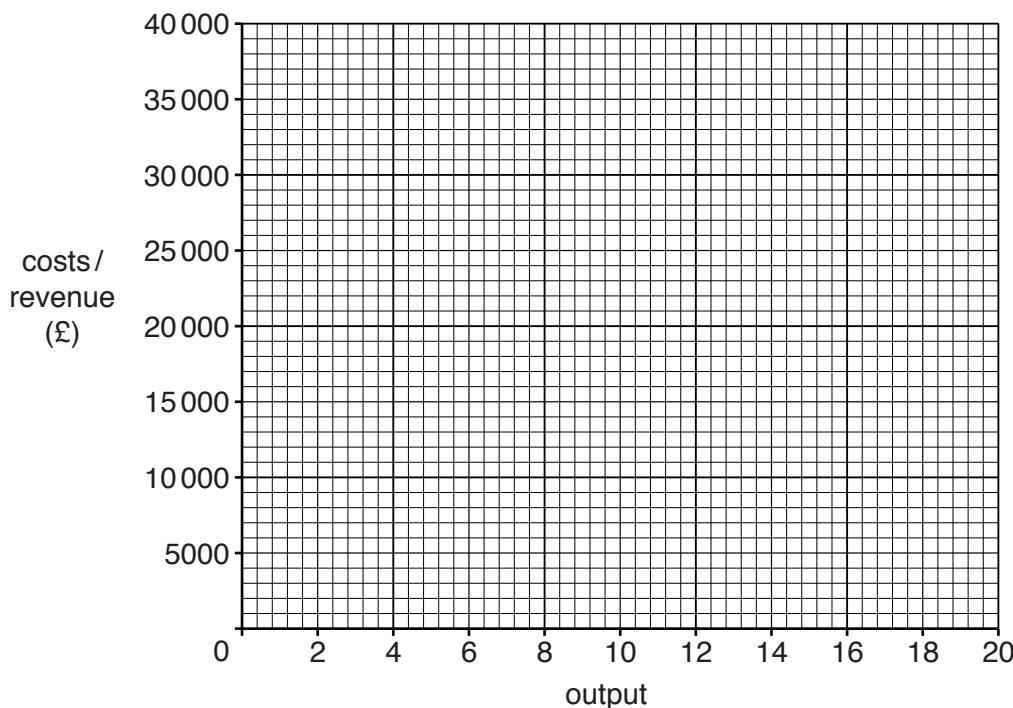
Recommend how Laura and Pippa could best fund this expenditure using **external** sources of finance. Justify your recommendation. [12]

10

- 4 Laura and Pippa have found premises with a shop at the front and a workshop at the back which they both like. The rent is £18000 per annum, inclusive of rates. Additional overheads, including utility bills and insurance, are estimated at £6000 per annum. Laura and Pippa have decided that their initial financial analysis should be based on both of them remaining as sole traders. *Precious Pips* would be responsible for 1/3 of the estimated fixed costs of the premises. The average selling price of each piece of jewellery made by Pippa would be £2000 and the average variable cost would be £1000 per item.
- (a) (i) Using the information above, draw and fully label a break-even chart to show the number of sales which *Precious Pips* needs to make in a year in order to break even. [8]
- (ii) Clearly label the break-even point and shade in the areas of profit and loss. [3]

Working box

Break-even chart for *Precious Pips*



11

(b) Calculate the new break-even point for *Precious Pips* if:

(i) Pippa starts to pay herself a salary of £20 000 per annum. Show your working. [3]

Break-even point =

(ii) Pippa does not pay herself a salary but the average variable cost increases by £200 per item. Show your working. [3]

Break-even point =

12

- (c) Evaluate which external factor is likely to have the greatest impact on the success of *Precious Pips*. [12]

5 (a) Identify what is meant by each of:

- legal responsibility;

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- ethical responsibility.

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[2]

(b) Explain **two** ways in which *Precious Pips* may benefit from using ethically sourced precious metals and gemstones.

1

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2

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[4]

15

- (c) Explain how pressure groups could persuade jewellery manufacturers to act in an ethical manner.

[4]

16

- 6 (a) Identify and explain **two** possible consequences to business partners of **not** drawing up a deed of partnership.

1

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[4]

- (b) Laura and Pippa have considered the issue of business ownership. They are considering whether it would be more advantageous to form a business partnership or to remain as separate sole traders sharing the same premises.

Recommend which of these two options Laura and Pippa should take. Justify your recommendation. [12]

END OF QUESTION PAPER

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