

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS
AS GCE**

F242/01

APPLIED BUSINESS

**Understanding the Business
Environment**

MONDAY 18 MAY 2015: Morning

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

MODIFIED ENLARGED

Candidate forename		Candidate surname	
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Centre number						Candidate number				
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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

A calculator may be used for this paper
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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.

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

1 _____

2 _____

[4]

(b) Identify TWO ways in which ‘talesofgems.com’ could use each of:

(i) a spreadsheet;

1 _____

2 _____

[2]

(ii) a database.

1 _____

2 _____

[2]

(c) Explain how the features of:

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

[2]

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

[2]

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

[illegible]

[illegible]

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 'talesofgems.com'
Strength		
Weakness		
Opportunity		
Threat		

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

1 _____

2 _____

[2]

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

1 _____

2 _____

[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]

[illegible]

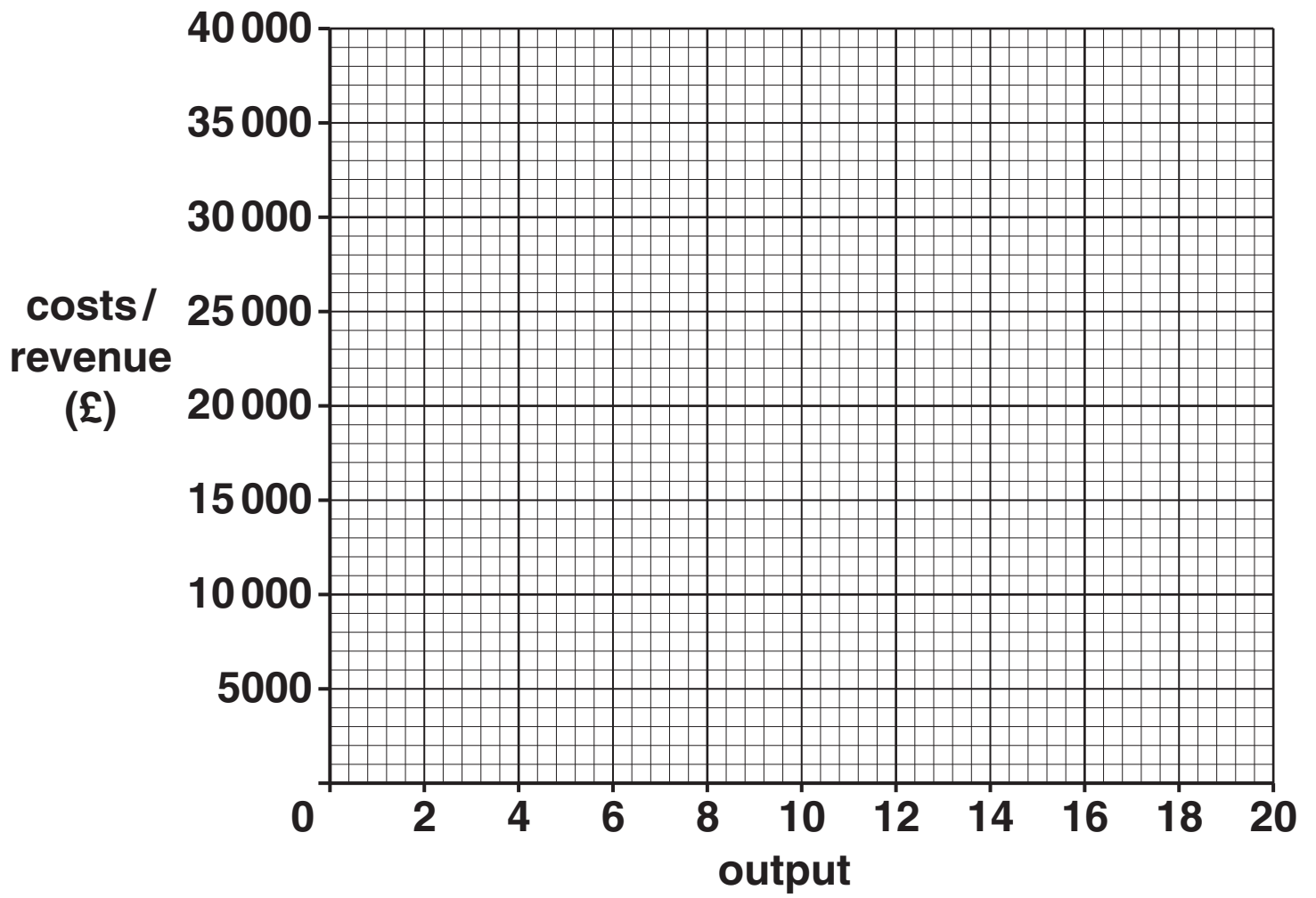
[illegible]

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 £18 000 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 $\frac{1}{3}$ 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'



(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 = _____

[illegible]

[illegible]

[illegible]

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

legal responsibility;

ethical responsibility.

[2]

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

1 _____

2 _____

[4]

[illegible]

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

1 _____

2 _____

[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]

[illegible]

[illegible]

[illegible]

END OF QUESTION PAPER

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