



Oxford Cambridge and RSA

**Thursday 19 May 2016 – Afternoon**

**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 **16** pages. Any blank pages are indicated.



A calculator may  
be used for this  
paper

Answer **all** the questions.

- 1 (a) Freddie Small incorporated his business.

State and explain **two** advantages and **two** disadvantages of incorporation.

Advantage 1 .....

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Advantage 2 .....

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Disadvantage 1 .....

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Disadvantage 2 .....

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[8]

- (b) Freddie is considering changing the legal status of *FFL* from a private limited company to a public limited company.

Evaluate how becoming a public limited company might affect *FFL*'s ability to uphold its ethical practices. [12]



- 2 Freddie wishes to use SLEPT analysis as a marketing tool for *FFL*.

- (a) What do the initials SLEPT stand for?

S .....

L .....

E .....

P .....

T .....

[5]

- (b) Complete a SLEPT analysis of Freddie's proposed car-sharing scheme expansion for *FFL* by filling in each of the unshaded boxes in the table below.

| Category | Factor which <b>specifically</b> affects<br><i>FFL</i> 's proposed expansion | How the identified factor may impact on the<br>success of the proposed expansion |
|----------|--|--|
| S        |  |  |
| L        |  |  |
| E        |  |  |
| P        |  |  |
| T        |  |  |

[10]

- 3 (a) State **two internal** sources of finance which could be used to fund *FFL*'s proposed expansion.

Source 1 .....

## Source 2

[2]

- (b)\* Evaluate the use of a bank loan as a way of funding *FFL*'s proposed expansion. [12]



- 4 (a) State **one** advantage and **one** disadvantage of zero-based budgeting.

Advantage .....

.....

Disadvantage .....

.....

[2]

- (b) State **one** purpose of budgetary control.

.....

[1]

- (c) Freddie has conducted research on Go Car, a rival car-sharing business set up just over a year ago.

The table below shows Go Car's budgeted and actual figures for two items of capital expenditure and its revenue in the first year of trading. Complete the table by filling in the seven unshaded boxes.

| Item                             | Budget £    | Actual £    | Variance £  | Variance % | Adverse/Favourable |
|----------------------------------|-------------|-------------|-------------|------------|--------------------|
| Hydrogen-powered cars purchased  | 25 million  |             |             | 8          | Adverse            |
| Mobile app development           |             | 1.1 million | 0.1 million |            | Favourable         |
| Revenue in first year of trading | 2.5 million | 2.2 million |             |            |                    |

[7]

- (d) Analyse possible reasons why Go Car's revenue in its first year of trading was lower than the budgeted figure. [9]



- 5 (a) Using the information provided below, complete the ten unshaded boxes in the cash-flow forecast for the first four months of *FFL*'s proposed expansion.

- Repairs and maintenance = 2% of sales revenue
- Salaries of £50 000 would be paid each month from October onwards
- September's opening balance is funded by a £20 000 000 bank loan

**Cash-flow forecast for *FFL*'s car-sharing scheme**

|                                 | September<br>£ | October<br>£ | November<br>£ | December<br>£ |
|---------------------------------|----------------|--------------|---------------|---------------|
| <b>Cash inflow</b>              |                |              |               |               |
| Sales revenue                   | 0              | 180 000      |               | 250 000       |
| <b>Total inflow</b>             | 0              | 180 000      |               | 250 000       |
| <b>Cash outflow</b>             |                |              |               |               |
| Hydrogen-powered fuel-cell cars | 20 000 000     |              |               |               |
| Mobile app                      | 1 000 000      |              |               |               |
| Repairs and maintenance         |                |              | 4 000         | 5 000         |
| Insurance                       |                | 20 000       | 20 000        | 20 000        |
| Salaries                        |                |              |               |               |
| Interest repayment              |                | 200 000      | 200 000       | 200 000       |
| <b>Total outflow</b>            |                | 273 600      | 274 000       | 275 000       |
| <b>Net cash-flow</b>            | (21 000 000)   | (93 600)     | (74 000)      |               |
| <b>Opening balance</b>          | 20 000 000     | (1 000 000)  | (1 093 600)   | (1 167 600)   |
| <b>Closing balance</b>          |                | (1 093 600)  | (1 167 600)   |               |

[10]

12

- (b) Evaluate possible ways in which Freddie could improve the cash-flow position of the proposed car-sharing scheme. [12]



- 6 (a) What is meant by the term 'competitive advantage'?

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[1]

- (b) Explain how modern technology could be used to improve *FFL*'s business efficiency in each of the following areas:

- (i) staff performance

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- (ii) cost management

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**(iii) quality of customer service**

[9]

**END OF QUESTION PAPER**

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