

**OCR**

Oxford Cambridge and RSA

# Level 3 Cambridge Technical in Business

## 05834/05835/05836/05837/05878

### Unit 1: The business environment

**Thursday 18 May 2017 – Afternoon**  
**Time allowed: 2 hours**

**You must have:**

- a clean copy of the pre-release (Insert C421)

**You may use:**

- a calculator

First Name						Last Name					
Centre Number						Candidate Number					
Date of Birth	D	D	M	M	Y	Y	Y	Y			

**INSTRUCTIONS**

- Use black ink.
- Complete the boxes above with your name, centre number, candidate number and date of birth.
- Answer **all** the questions.
- Write your answer to each question in the space provided.
- If additional answer space is required, you should use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.
- The pre-release research brief is required for **Section B** only.

**INFORMATION**

- The total mark for this paper is **90**.
- The marks for each question are shown in brackets [ ].
- This document consists of **20** pages.

FOR EXAMINER USE ONLY	
Question No	Mark
Section A: 1-20	/20
Section B: 21	/2
22	/4
23	/4
24	/6
25	/4
Section C: 26	/1
27	/12
28	/4
29	/12
30	/12
31	/6
32	/3
<b>Total</b>	<b>/90</b>

**Section A**

Answer **all** questions. Put a tick (✓) in the box next to the **one** correct answer for each question.

1 Which of the following is an example of a secondary sector business?

(a) A football club

(b) A salmon farm

(c) A shoe manufacturer

(d) A supermarket

[1]

2 The IT function of a large organisation is **most** likely to support the sales function by:

(a) backing up employee records

(b) creating a production schedule

(c) updating payroll software

(d) upgrading a customer database

[1]

3 A petrol station will make a net loss if:

(a) its cash outflows exceed its cash inflows

(b) its costs are greater than its revenue

(c) its liabilities are greater than its assets

(d) its output is above its break-even point

[1]

4 Which of the following is **most** likely to cause a business to fail?

(a) Detailed and careful planning

(b) Good knowledge of the market

(c) Reliance on one major customer

(d) Tight financial control

[1]

5 Which one of the following documents is a legal requirement for a private limited company?

(a) Articles of association

(b) Cash flow statement

(c) Deed of partnership

(d) Organisation chart

[1]

6 Which of the following functional areas is **most** likely to be responsible for sourcing raw materials?

(a) Finance

(b) Operations management

(c) Procurement

(d) Sales

[1]

7 Patrick makes garden statues. He estimates his costs for 2017 to be:

- Concrete mixer hire: £840 per annum
- Raw materials: £5 per statue
- Advertising: £300 per annum.

If Patrick sells each statue for £25, the break-even output for 2017 would be:

(a) 15 statues per annum

(b) 26 statues per annum

(c) 47 statues per annum

(d) 57 statues per annum

[1]

8 Which of the following is a benefit to a business of having a centralised organisational structure?

(a) Communication paths will be short

(b) Employees are encouraged to use their own initiative

(c) Important decisions are made by senior management

(d) Managers will have a narrow span of control

[1]

9 Which of the following is a correct definition of the term 'chain of command'?

(a) The formal line of communication in an organisation

(b) The number of people for which a line manager is responsible

(c) The power to make complex business decisions

(d) The various departments involved in making a product

[1]

10 Which of the following is a **social** factor that may affect a clothing retailer?

(a) A change in customer buying habits

(b) A government initiative to reduce carbon emissions

(c) New legislation which restricts store trading hours

(d) The closure of a competitor's store

[1]

11 A charity shop operates in the:

(a) private sector

(b) public sector

(c) secondary sector

(d) third sector

[1]

12 A company re-designs its logo so that it looks very similar to that of the market leader. The company is likely to have broken the:

(a) Companies Act

(b) Copyright, Designs and Patents Act

(c) Data Protection Act

(d) Equality Act

[1]

13 Which pair of the following forms of business has unlimited liability?

(a) A community interest company and a partnership

(b) A partnership and a sole trader

(c) A private limited company and a community interest company

(d) A sole trader and a private limited company

[1]

14 Which of the following is an example of delegation?

(a) A chief executive making an after-dinner speech at an annual conference

(b) A director taking responsibility for mistakes which the company has made

(c) A manager passing the authority to do a specific task to an employee

(d) A supervisor advising an operative how to manage their workload

[1]

15 Which of the following is **not** an example of a corporate growth objective?

(a) Controlling operating costs

(b) Extending service provision

(c) Increasing market share

(d) Opening new retail outlets

[1]

**16** A savoury snack manufacturer can produce a maximum of 1440 million packets of crisps per annum. It needs to produce 500 million packets of crisps per annum to break even. If the company produced 1020 million packets of crisps its margin of safety would be:

(a) 420 million packets of crisps

(b) 500 million packets of crisps

(c) 520 million packets of crisps

(d) 940 million packets of crisps

[1]

**17** The Partnership Act requires a business operating as a partnership to:

(a) create a deed of partnership

(b) hold an Annual General Meeting (AGM)

(c) publish its accounts in a national newspaper

(d) share profits between partners

[1]

**18** Which one of the following is a task which is **most** likely to be carried out by an employee working in the research and development department of a chocolate bar manufacturer?

(a) Create new recipes

(b) Design an advertising campaign

(c) Find cheaper suppliers of ingredients

(d) Redesign the packaging label

[1]

**19** Which of the following is a **financial** factor which may affect the future success of an electrical appliance retailer?

(a) Market research data

(b) Product range

(c) Recruitment procedures

(d) Sales revenue

[1]

**20** Which one of the following would lower a firm's break-even point?

(a) Boosting sales

(b) Increasing fixed costs

(c) Lowering variable costs

(d) Reducing selling price

[1]

**Section B**

Answer **all** questions in this Section.

All of the questions in this Section should be answered in relation to businesses you have researched. A clean copy of the research brief is provided.

**21** Identify **two** internal stakeholder groups in a business that you have researched.

**Name of business** .....

**Activity of business** .....

1.....

2.....

**[2]**

**22** Describe **two** tasks performed by the human resources function in a business that you have researched.

**Name of business** .....

**Activity of business** .....

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**[4]**

23 Explain **two** ways a business that you have researched complies with consumer protection legislation.

**Name of business** .....

**Activity of business** .....

1.....

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2 .....

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[4]

24 Analyse **two** ways demographic changes have affected a business that you have researched.

[6]

**Name of business** .....

**Activity of business** .....

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25 Explain how a business that you have researched empowers its employees.

**Name of business** .....

**Activity of business** .....

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[4]

### Section C

Read the Scenario below. Answer **all** questions in this Section.

#### Business scenario: *Leisure Magazines Ltd*

*Leisure Magazines Ltd* is the largest publisher of monthly magazines in the UK. Founded in 1917, the business has built up a considerable amount of knowledge and expertise. As market leader, its magazines are well known and well respected. *Leisure Magazines Ltd* has an enviable reputation in the industry for the standard of its magazine content. The business currently produces 28 different magazines each month, all precision-printed on premium quality paper. Twenty of its titles are general interest magazines, e.g. TV Monthly and Out and About. Eight of its titles are specialist magazines covering traditional sports and hobbies, e.g. bowling, car maintenance and sewing; these target a more mature market. *Leisure Magazines Ltd* does not publish its magazines online.

Printing uses a lot of electricity. Like its competitors, energy bills are one of *Leisure Magazines Ltd's* main operating costs; employees' wages are another. In an effort to keep costs down, the business has resisted pressure to give employees a pay rise for the last three years. *Leisure Magazines Ltd* obtains its revenue from two sources. First, from the sale of its magazines. Second, from the sale of advertising space in the magazines. Businesses are willing to pay over £5000 for a full page colour advertisement in *Leisure Magazines Ltd's* popular general interest magazines.

National figures, however, have shown a decline in total revenue for magazine publishers of 0.5% per year for the last three years. In addition, industry experts predict an even more challenging future as more readers switch from buying printed magazines to reading online versions. For 2017 *Leisure Magazines Ltd* is projecting a net profit of 4.7% of revenue against its target of 5.0%. The benchmark figure for its closest competitor is 3.5%. *Leisure Magazines Ltd's* Income Statement for the last three years is shown in **Fig. 1** below.

**Fig. 1: Income Statements for *Leisure Magazines Ltd* for the years ended 31 December 2016 - 2014**

	2016		2015		2014	
	£million	£million	£million	£million	£million	£million
Sales Revenue	16.5		16.9		17.7	
Advertising Revenue	33.5		35.1		35.3	
Total Revenue		50.0		52.0		53.0
Cost of sales		21.6		20.3		19.4
<b>Gross Profit</b>		28.4		31.7		33.6
Expenses		24.1		22.7		22.1
<b>Operating Profit</b>		4.3		9.0		11.5
Bank loan interest paid		1.1		1.1		1.1
<b>Profit before tax</b>		3.2		7.9		10.4
Tax		0.6		1.5		2.0
<b>Net Profit</b>		2.6		6.4		8.4
Dividends		2.5		6.3		8.2
<b>Retained Profit</b>		0.1		0.1		0.2

The results of recent market research obtained by *Leisure Magazines Ltd* indicate that customers would like it to:

- launch a website and make its magazines available online
- produce more titles; particularly targeting global issues, modern day living and increasingly popular minority sports such as non-league football, hockey and table tennis
- improve its ethical profile.



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**28** Conduct a SWOT analysis for *Leisure Magazines Ltd* by inserting **one** appropriate factor into each box.

Strength	Weakness
Opportunity	Threat

[4]







31 The directors of *Leisure Magazines Ltd* have voted to change its business strategy to try and meet the needs of its customers, as identified in the recent market research. The cost of this change in strategy, which includes the cost of an additional printing machine, is estimated to be £40 million. The business will require external finance and a detailed business plan.

(a) (i) Identify one external source of finance which would be **appropriate** to use to fund this change of strategy. Give a reason for your choice.

Appropriate external source of finance .....

Reason .....

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[2]

(ii) Identify one external source of finance which would be **inappropriate** to use to fund this change of strategy. Give a reason for your choice.

Inappropriate external source of finance .....

Reason .....

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[2]

(b) Other than sources of finance, identify **two** items which the directors should include in its business plan for this change of strategy.

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2 .....

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[2]

**32** Identify and explain **one** economic factor which might affect the future success of *Leisure Magazines Ltd.*

Economic factor.....

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**[3]**

**END OF QUESTION PAPER**

