



Please write clearly in block capitals.

Centre number

Candidate number

Surname \_\_\_\_\_

Forename(s) \_\_\_\_\_

Candidate signature \_\_\_\_\_

# A-level BUSINESS

## Paper 1 Business 1

Monday 12 June 2017

Afternoon

Time allowed: 2 hours

### Materials

For this paper you must have:

- a calculator.

### Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions in **Section A** and **Section B**.
- Answer **one** question from **Section C** and **one** question from **Section D**.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this answer book. Cross through any work that you do not want to be marked.

### Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 100.

For Examiner's Use	
Question	Mark
Section A	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
<b>TOTAL</b>	



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**Section A**

Answer **all** questions in this section.

Only **one** answer per question is allowed.

For each answer completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

**0 1**

A farmer takes over a retailer in order to sell its produce. This is an example of

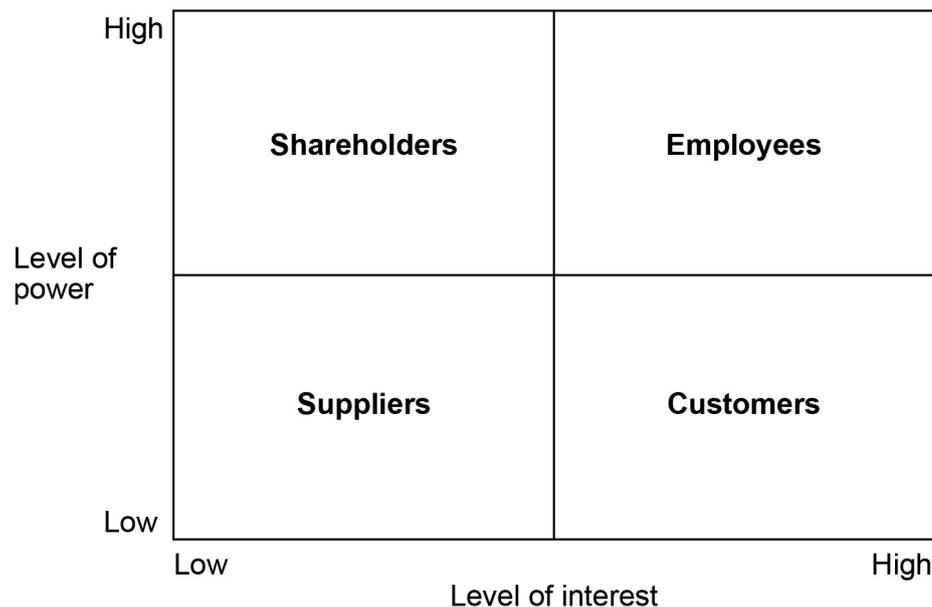
- A horizontal integration.
- B backward vertical integration.
- C forward vertical integration.
- D conglomerate integration.

**[1 mark]**

**0 2**

**Figure 1** below shows a stakeholder map.

**Figure 1:** Stakeholder map



For this particular business, which stakeholder group is most likely to influence this business' management decision-making?

- A** Suppliers
- B** Customers
- C** Shareholders
- D** Employees

[1 mark]

0 3

A business experiencing a lower level of capacity utilisation than usual may benefit because it

- A** reduces the average costs of production.
- B** provides more time for maintenance and repair of machinery.
- C** can increase employee morale, because employees feel more secure in their jobs.
- D** represents a more efficient use of capital equipment.

[1 mark]

0 4

The information below is an extract from a company's annual accounts.

- Current assets: £3 million
- Current liabilities: £2.4 million
- Non-current liabilities: £4.2 million
- Capital employed: £12 million

The company's gearing ratio is

- A** 35%
- B** 250%
- C** 20%
- D** 5%

[1 mark]



0	5
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Options A to D below show four different combinations of monetary and fiscal policy. Which combination is most likely to lead to an increase in sales for a company that builds houses? Assume there are no other changes.

- A** Decreasing interest rates and decreasing taxation
- B** Decreasing interest rates and increasing taxation
- C** Increasing interest rates and decreasing taxation
- D** Increasing interest rates and increasing taxation

[1 mark]

0	6
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A business helps its local community with a view to improving the quality of life of nearby residents. In Carroll's pyramid of corporate social responsibility, this is most likely to be an example of

- A** economic responsibility.
- B** ethical responsibility.
- C** legal responsibility.
- D** philanthropic responsibility.

[1 mark]

0	7
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An approach to examine the impact of possible changes on the predicted financial outcome of an investment is known as

- A** investment criteria.
- B** non-financial factors.
- C** sensitivity analysis.
- D** the discount rate.

[1 mark]



0 8

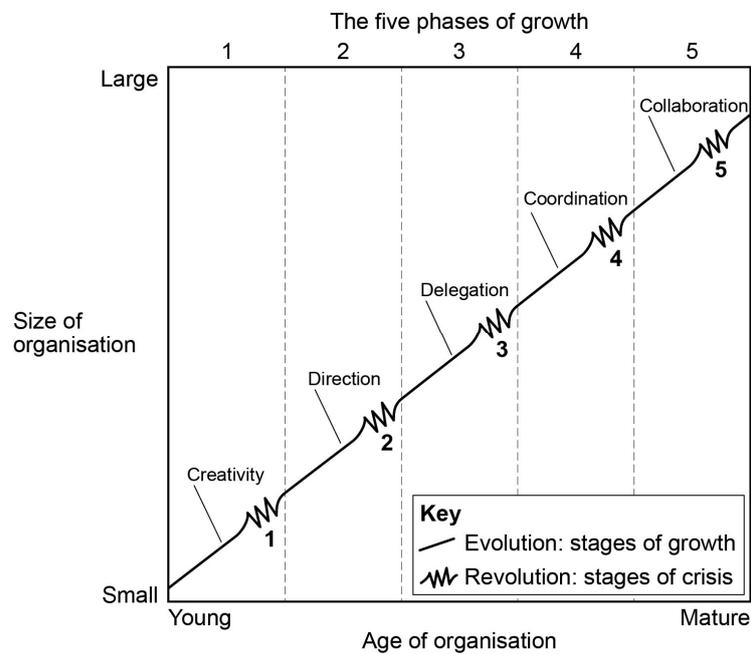
Starbucks is an American coffee shop. In recent years it has opened over 300 tea shops in America to appeal to its existing customers. According to Ansoff's matrix this is an example of

- A diversification.
- B market development.
- C market penetration.
- D product development.

[1 mark]

0 9

Which type of crisis is most likely to occur at point 3 of Greiner's model of growth shown below?



- A Leadership crisis
- B Autonomy crisis
- C Red tape crisis
- D Control crisis

[1 mark]



Turn over ►

1	0
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Figure 2 below contains data on the costs of producing a given product.

Figure 2

Output (units)	Total costs (£)
0	40
1	80
2	110
3	150

Calculate the total variable costs of producing 3 units of output.

A £30

B £40

C £100

D £110

[1 mark]

1	1
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Statement 1: 'According to Taylor, piece rate payments will **usually** motivate workers.'

Statement 2: 'According to Herzberg, piece rate payments will **usually** motivate workers.'

Read statements 1 and 2 and select the correct option from the following options:

A Statement 1 is true. Statement 2 is true

B Statement 1 is true. Statement 2 is false

C Statement 1 is false. Statement 2 is true

D Statement 1 is false. Statement 2 is false

[1 mark]



1 2

According to Lewin's force field analysis

- A** change will occur if driving forces are stronger than restraining forces.
- B** change will occur if negative forces equal positive forces.
- C** a company will grow if its strengths and opportunities outweigh its weaknesses and threats.
- D** a company will grow if horizontal forces and vertical forces are balanced.

[1 mark]

1 3

Statement 1: 'Penetration pricing is more likely to be used if demand is price inelastic.'

Statement 2: 'Price skimming is more likely to be used if demand is price elastic.'

**Read statements 1 and 2 and** select the correct option from the following options:

- A** Statement 1 is true. Statement 2 is true
- B** Statement 1 is true. Statement 2 is false
- C** Statement 1 is false. Statement 2 is true
- D** Statement 1 is false. Statement 2 is false

[1 mark]

1 4

In a business each employee has a job with clear rules and procedures. Which of Handy's cultures does this description most closely correspond to?

- A** Person culture
- B** Power culture
- C** Role culture
- D** Task culture

[1 mark]





**Turn over for the next section**

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ANSWER IN THE SPACES PROVIDED**



**Turn over ►**

**Section B**

Answer **all** questions in this section.

The data in **Figure 4** shows the expected financial outcomes of an investment into new equipment.

**Figure 4**

Year	Annual inflows (£000)	Annual outflows (£000)	Net return (£000)	Discount factor (5%)
0	0	50	(50)	1.00
1	30	17	13	0.95
2	40	12	28	0.91
3	40	13	27	0.86

**1 6**

Based on the data in **Figure 4**, calculate the payback of the investment.

**[3 marks]**

Payback \_\_\_\_\_

Workings \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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**3**



1 7

Based on the data in **Figure 4**, calculate the Net Present Value of the investment.

**[4 marks]**

Net Present Value \_\_\_\_\_

Workings \_\_\_\_\_

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4

1 8

A fashion chain decides to switch to 'fair trade' clothing in its shops. Explain **one** possible consequence for the fashion chain.

**[4 marks]**

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9

2 1

Use the data in **Figure 5** to explain how the use of debt factoring would benefit ABC Ltd.

[9 marks]

**Figure 5:** Extracts from the balance sheet of ABC Ltd.

	<b>31.3.2015 (£000)</b>	<b>31.3.2016 (£000)</b>	<b>31.3.2017 (£000)</b>
Inventories	200	230	250
Receivables	300	500	690
Cash	400	200	0
<b>Total current assets</b>	<b>900</b>	<b>930</b>	<b>940</b>
Payables	500	530	550

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