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AQA

Please write clearly in block capitals.

Centre number | | | | | | Candidate number | | | | |

Surname _____

Forename(s) _____

Candidate signature _____

AS
BUSINESS

Paper 1 Business 1

Friday 18 May 2018 Afternoon Time allowed: 1 hour 30 minutes

Materials

For this paper you must have:
- a calculator.

Instructions
- Use black ink or black ball-point pen.
- Fill in the box at the top of this page.
- Answer **all** questions.
- 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 you do not want to be marked.

Information
- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80.

For Examiner's Use	
Question	Mark
Section A	
11	
12	
13	
14	
15	
16.1	
16.2	
17.1	
17.2	
TOTAL	

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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 new product has been launched onto the market. It currently has a low market share in a low growth market. Which category from the Boston Matrix is this product located in?

A Cash cow

B Dog

C Question mark

D Star

[1 mark]

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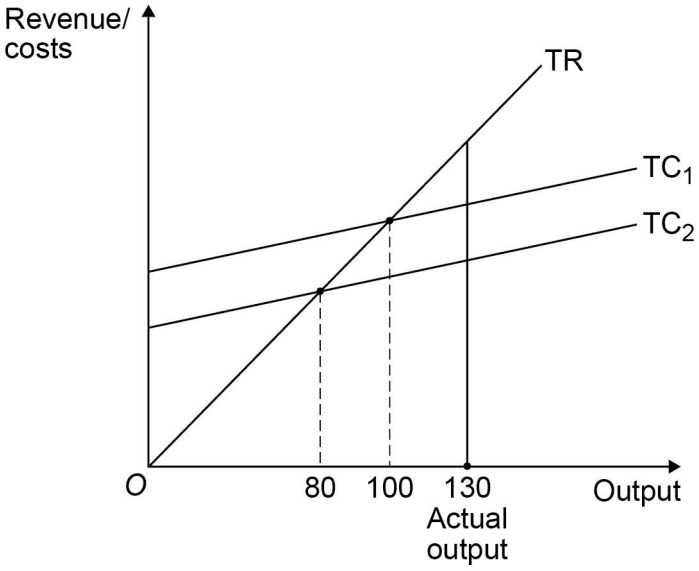
0 2 The break-even chart below shows the change in break-even output arising from a change in total costs from TC_1 to TC_2.



In the diagram, the margin of safety has

A fallen by 30 units as a result of a fall in fixed costs. ⬭

B fallen by 20 units as a result of a fall in variable costs. ⬭

C risen by 20 units as a result of a fall in fixed costs. ⬭

D risen by 30 units as a result of a fall in variable costs. ⬭

[1 mark]

Turn over for the next question

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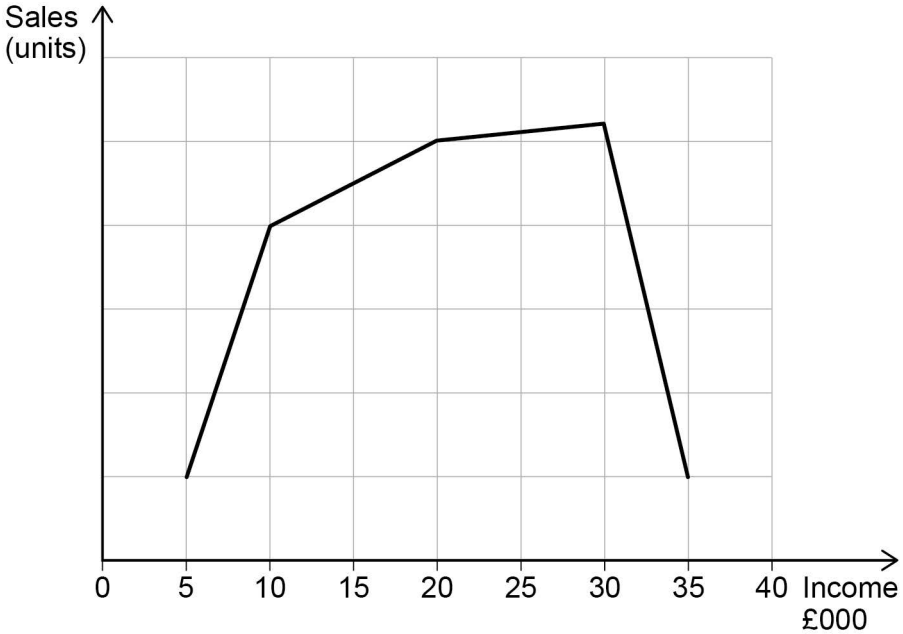
0 3 In the diagram below, demand for the product is most income inelastic between income levels of



A £5 000 and £10 000 ⬭

B £10 000 and £20 000 ⬭

C £20 000 and £30 000 ⬭

D £30 000 and £35 000 ⬭

[1 mark]

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0 4 Which of the following statements is true?

A If sales volume is falling but sales revenue is increasing the price is falling. ⬭

B If price increases and sales volume falls there is a negative correlation between price and sales volume. ⬭

C A product life cycle diagram shows the sales of a product in relation to the price. ⬭

D Selling a product on credit increases both revenue and cash immediately. ⬭

[1 mark]

0 5 Statement 1: 'In a very centralised retail organisation, local shop managers decide on the store design.'

Statement 2: 'In a decentralised retail organisation, local shop managers decide on the items of inventory to be held.'

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]

Turn over for the next question

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0 6 In 2016, a business had 120 employees. Its total labour costs were £2.7 million. In 2017 its labour costs increased by 3%. The number of employees remained the same. Its labour costs per employee in 2017 were

A £21 845 ⬭

B £22 500 ⬭

C £23 175 ⬭

D £29 250 ⬭

[1 mark]

0 7 A manager aims to improve the motivation of an individual who has satisfied her esteem (or ego) needs. The manager should focus on the individual's

A physiological needs. ⬭

B security needs. ⬭

C self-actualisation needs. ⬭

D social needs. ⬭

[1 mark]

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0 8

	Budget £000	Actual £000
Revenue	26	28
Material costs	8	9
Labour costs	12	10

With reference to the table above which of the following statements is true?

A The revenue has an adverse variance. ⬭

B The material costs have a favourable variance. ⬭

C The profits have a favourable variance. ⬭

D The difference between the budgeted and actual profit is £15 000. ⬭

[1 mark]

0 9 In 2016 a business had 12 employees and produced 60 units of output. Its capacity utilisation was 75%. In 2017 it achieved 100% capacity output with the same labour force. Labour productivity per employee in 2017 was

A 6.67 units. ⬭

B 6 units. ⬭

C 5 units. ⬭

D 3.75 units. ⬭

[1 mark]

Turn over for the next question

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1 0 Which of the following statements is true?

A An increase in interest rates is likely to lead to more demand for houses. ⬭

B The population size is a demographic factor in the external environment. ⬭

C A soft approach to human resource management is likely to involve a low level of delegation. ⬭

D A mission will have a more specific target than a business objective. ⬭

[1 mark]

10

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Section B

Answer **all** questions in this section.

1 1 A manager of a business wants to increase its revenue. She estimates the price elasticity of demand for its products is –0.2. Explain whether the manager should decrease or increase prices.

[3 marks]

Extra space

3

Turn over for the next question

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1 2 Shown below is a cash flow forecast for a business.

[3 marks]

	2018 £	**2019 £**
Opening balance	(50 000)	
Cash inflows	80 000	120 000
Cash outflows	70 000	180 000
Closing balance	(40 000)	

Calculate the closing balance of the business in 2019.

Workings

3

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1 3 A retailer has decided to pay salaries to its employees instead of commission on the sales they make. Explain one benefit to the retailer **and** one benefit to the employees of making this change.

[4 marks]

Extra space

4

Turn over for the next question

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1 4 Explain **two** factors that might influence how much inventory is held by a restaurant.

[4 marks]

Extra space

4

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1 5 Mae has developed a games app she thinks could be very successful. She has just left school and wants to start selling the app. Analyse why venture capital may be a better source of finance for Mae than a bank loan.

[6 marks]

Extra space

6

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Section C

Answer **all** questions in this section.

1 6

Zoo

Sue is managing director and the sole owner of Zoo Ltd, a luxury fashion handbag business. Sue has helped the company to grow over the last forty years, taking responsibility for the key decisions for the business as a whole. She does, however, think carefully about the design of her employees' jobs. She delegates many tasks to her team in areas such as marketing and operations and is good at praising her employees for their achievements. Zoo sells through independent fashion retailers in the UK. The average price of its handbags to all UK retailers is £250.

Last year Sue's son Mike joined the business. Sue wants him to take over the company in the future. Mike had just finished his business degree at university and is eager to prove himself. Mike wants to increase the annual profits of the business by at least 60% in the next few years and make returns on all future investments of at least 25%. Until now, sales of the business have typically grown by 2% a year.

Mike has been negotiating on his own to win a contract with a very large fashion retailer, Nexia, to sell Zoo handbags. Nexia has stores in the UK and throughout Europe. Nexia has told Mike that it refuses to discuss the contract further unless Zoo has the ability to produce on a much larger scale.

For Zoo this means it would need to invest £1 500 000 in new production capacity. This would increase fixed costs by £160 000 a year but would not affect its variable costs per unit.

Mike has told Sue that there is an 80% chance that the contract will go ahead if Zoo invests in more capacity. The decision whether to invest in more capacity remains with Sue.

The bags for Nexia will be produced in addition to its current output. If Nexia is happy with sales in the first few years, bigger contracts may follow.

Appendix A: The terms of the potential contract

- Nexia will pay Zoo £200 per handbag
- Nexia would buy 10 000 handbags a year

Appendix B: Other Zoo production and finance data

- Current output of Zoo: 12 000 bags a year
- Variable costs of producing a Zoo bag: £130
- Current annual fixed costs: £660 000

Appendix C: Zoo human resource performance data 2017–2018

- Labour retention rate (% of staff staying with the business more than 5 years): 85%. Industry average: 64%.
- Labour productivity index 120. Industry average 100.

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1 6 . 1 Analyse how Sue's approach to job design might have affected Zoo's human resource performance as shown in **Appendix C**. Your answer should refer to **two** aspects of job design in Hackman and Oldham's model.

[9 marks]

Extra space

9

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1 6 . 2 Do you think Sue should go ahead with the investment in the new production capacity? Justify your answer using quantitative and qualitative information.

[16 marks]

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1 7

Sports Success

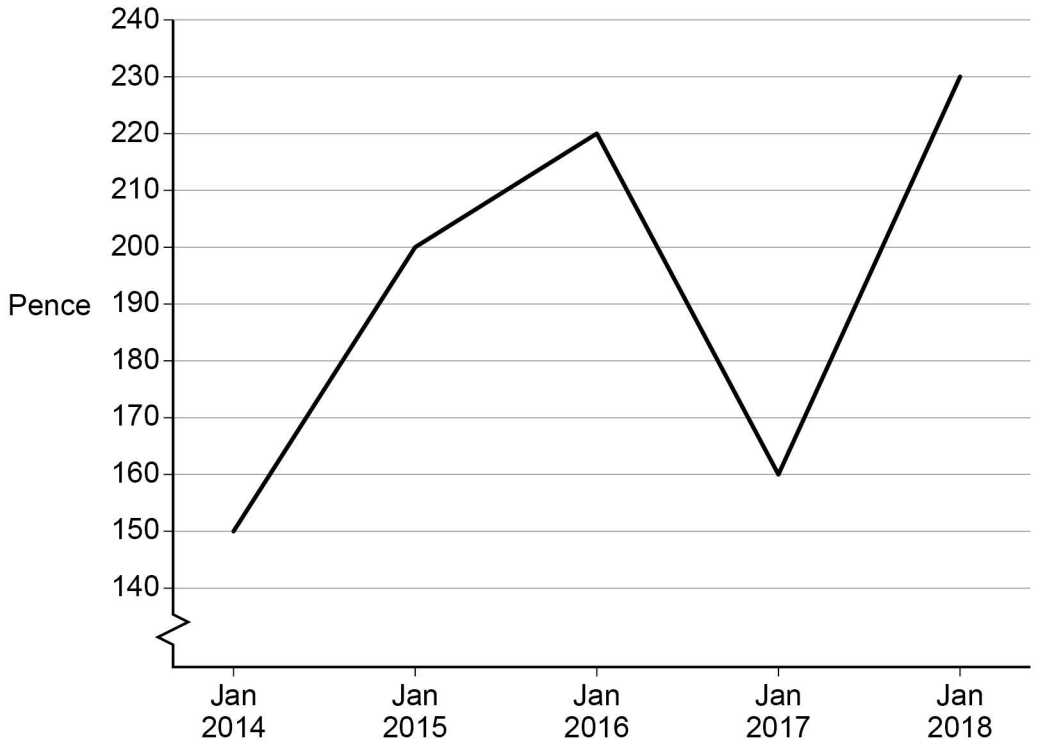
Sports Success plc is a well-known sports goods retailer operating in the UK and abroad. It employs over 20 000 people. In 2016, Sports Success was heavily criticised in the media for its treatment of staff in terms of their working conditions and pay. These announcements worried some shareholders because of the amount of negative publicity the company was receiving.

Sports Success responded to the media coverage by producing a report in January 2017 on its treatment of staff. This was seen as a positive move by the company. Although the company still does not negotiate with any trade union, it now:

- has one employee representative on the Board of Directors who is chosen by Board members. There are 11 other Directors, most of whom are senior managers
- has set up a feedback system called 'Be heard' for all staff, where they can email any issues of concern and make suggestions for improvements for staff. Senior managers have promised to read all the emails and said they will take action where they feel it is needed. Improvements that have occurred so far include free wi-fi and some improvements to the food in the canteens.

Over 20% of Sport Success' sales are online; the rest are through its stores. The company has recently invested over £200m developing its major stores. These new stores have better designs and more space for well-known brands such as Nike and Adidas. They are situated in prime retail shopping areas or out of town destinations.

Share price of Sports Success plc (in pence)



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1 7 . 1 Sports Success sells through its own retail outlets and online. Analyse how **two** elements of its marketing mix may differ between its retail outlets and its online store.

[9 marks]

Extra space

9

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1 7 . 2 The managers of Sports Success have introduced more employee representation in the business since 2017. To what extent do you think this is likely to benefit the company's stakeholders?

[16 marks]

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16

END OF QUESTIONS

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