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AQA

Please write clearly in block capitals.

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

Surname _____

Forename(s) _____

Candidate signature _____
I declare this is my own work.

AS
BUSINESS

Paper 1 Business 1

Friday 19 May 2023 Morning 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.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- 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 question 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 company decides to rely only on decision trees to decide whether to accept a project. If decisions are based on the financial outcome, what is the most important factor in these decisions?

[1 mark]

A Expected value

B Initial cost

C Net gain

D Probability of success

0 2 When will a business's corporate objectives be agreed?

[1 mark]

A After its mission and after its financial objectives

B After its mission and before its financial objectives

C Before its mission and after its financial objectives

D Before its mission and before its financial objectives

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0 3 **Statement 1**: 'A founder of a small business may choose to remain as a sole trader in order to retain full control of decisions.'

Statement 2: 'A founder of a small business may choose to remain as a sole trader in order to limit his liability for debts.'

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

[1 mark]

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. ⬭

0 4 A business manufactures one product on a large scale. If the business introduces mass customisation, which of the following is **least** likely to occur?

[1 mark]

A Greater responsiveness to changes in consumer tastes ⬭

B Higher added value ⬭

C More flexible machinery ⬭

D Reduced unit costs ⬭

0 5 **Statement 1**: 'Total revenue = Total costs + profit'

Statement 2: 'Total contribution = (Contribution per unit × quantity) + fixed costs'

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

[1 mark]

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. ⬭

Turn over ►

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0 6 The table below shows four different scenarios.

Scenario	Change in interest rates	Change in wages
A	Increase	Increase
B	Increase	Decrease
C	Decrease	Increase
D	Decrease	Decrease

Which scenario is **most** likely to encourage a business to change from labour-intensive processes to capital-intensive processes?

[1 mark]

A Scenario A ⬭

B Scenario B ⬭

C Scenario C ⬭

D Scenario D ⬭

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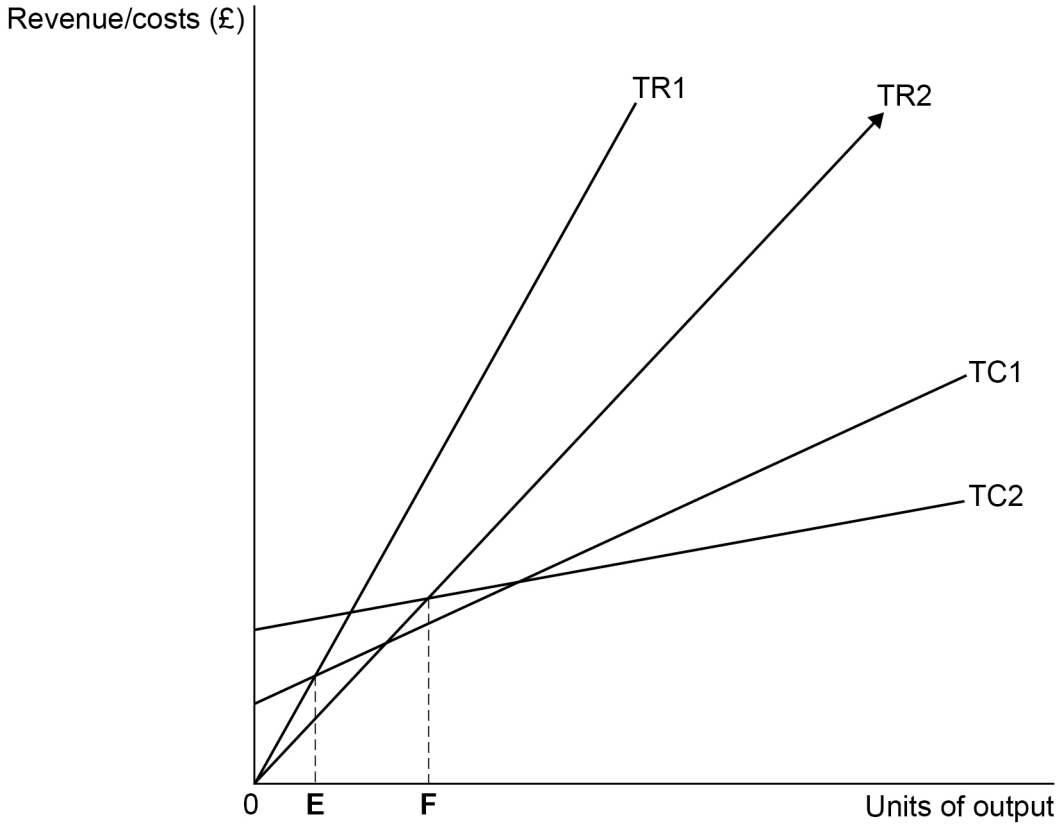
0 7 **Figure 1** below shows a break-even chart.

Figure 1



Which of the following changes would lead to a change of break-even output from **E** to **F**?
[1 mark]

A An increase in price and an increase in fixed costs. ⬭

B An increase in price, an increase in fixed costs and a decrease in variable costs per unit. ⬭

C A decrease in price and a decrease in variable costs per unit. ⬭

D A decrease in price, an increase in fixed costs and a decrease in variable costs per unit. ⬭

Turn over for the next question

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0 8 **Statement 1**: 'Introducing lean production can improve cash flow by reducing levels of inventory.'

Statement 2: 'Introducing lean production can improve profitability by reducing waste.'

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

[1 mark]

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. ⬭

0 9 Which one of the following is **not** an extension strategy?

[1 mark]

A Attracting new market segments ⬭

B Changing the image of a product ⬭

C Increasing spending on promotions ⬭

D Lowering unit costs ⬭

1 0 **Statement 1**: 'Delegation can improve efficiency because it may allow decisions to be taken by the employee with the most relevant skills.'

Statement 2: 'Delegation helps to identify employees with the potential for promotion.'

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

[1 mark]

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. ⬭

10

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Section B

Answer **all** questions in this section.

1 1 The following data applies to a business.

Price of product	£5
Variable cost per unit	£3
Fixed costs	£30 000
Number of sales of product	22 000

Calculate the margin of safety for the business.

[3 marks]

3

1 2 Explain **one** factor that will cause the share price of a public limited company to increase.

[3 marks]

3

Turn over for the next question

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1 3 The table below shows data for the market for a product in 2020.

Business	Sales (2020)	Sales growth (2021)
X	£40 million	10%
Y	£100 million	50%
Z	£186 million	0%
All other businesses	£170 million	0%
Total market size	£496 million	?

Calculate the market share of Business X in 2021.

[4 marks]

4

1 4 Explain **one** benefit to a newly established business of producing a budget.

[4 marks]

4

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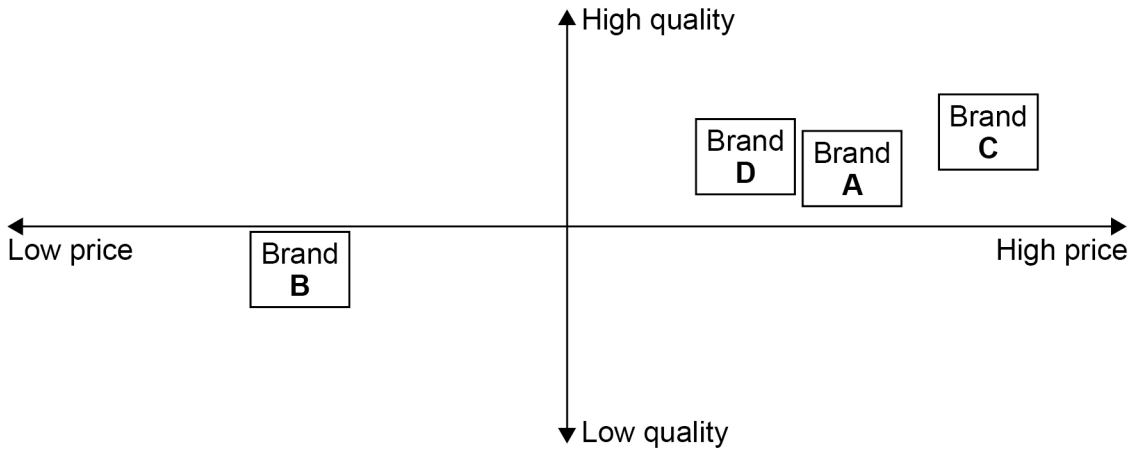
1 5 A business is creating a new product. The business has produced a market map of rival products which is seen below.



Analyse how using this market map of rival products might affect the positioning of the new product.

[6 marks]

Extra space

6

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Section C

Answer **all** questions in this section.

1 6

BZT Ltd

Dean Beacon runs a family electricals business, BZT Ltd. BZT Ltd sells computers, mobile phones and household electrical items from its 15 high street stores. The stores are in prime, central locations which leads to high rent payments. BZT Ltd holds all of its inventory at its stores.

Recently BZT Ltd has received poor online reviews. Dean knows online reviews now play a large part in how many customers choose a retailer. The poor reviews were due to BZT Ltd quickly selling out of products. Dean is considering holding more inventory to prevent selling out. There is a long lead time when BZT Ltd orders these products. The suppliers offer significant discounts for large orders. Currently BZT Ltd does not get these discounts as it only orders 70% of what is needed to qualify for the discount.

Dean is concerned that profits fell in every one of the last three years. BZT Ltd's competitors are now increasingly online only. Dean has carried out the following research comparing BZT Ltd to online competitors.

Table 1 Dean's research

	BZT Ltd	**Online competitors**
Inventory storage costs	£200 per square metre	£70 per square metre
Average gross profit margin	32%	65%
Last year's change in profit margin from operations	–4%	+2%

BZT Ltd is the only retailer in the market that provides a free three-year support service with every item. The business needs specialist staff to provide this service.
The support provided includes:

- setup
- installation
- cover of any repair costs for three years.

BZT Ltd spends 10% of its marketing budget advertising this support service and spends over 70% promoting its traditional price match promise. The price match promise means that BZT Ltd will always lower the price of any product to match that of any competitor offering the same product. Dean believes the business is widely recognised for its price match promise which it has offered for over 50 years.

Dean has discovered the fastest-growing demographic in the market is the over 60s. The over 60s now account for over 30% of sales. Dean has carried out the following additional research on the market.

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Table 2 Market research

	BZT Ltd	Online competitors
Average age of customers	62	28
Average price elasticity of demand	–0.4	–1.8
Percentage of customers expressing an interest in a support service	68%	6%

1 6 . 1 Analyse how increasing the level of inventory held could impact on BZT Ltd's profitability.

[9 marks]

9

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1 6 . 2 Dean is considering removing BZT Ltd's price match promise and focusing more on its free support service instead.

To what extent do you think this is the right decision?

[16 marks]

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1 7

Napara plc

Napara plc is a large mass market manufacturer of cars. Currently it produces four models of cars. Napara plc's reputation had previously been for reliability. This reputation has declined in recent years. Napara plc carried out some market research. This research highlighted that customers want:

- reliable cars
- cars supplied without waiting times.

Table 3 Operational data for 2021

Operational data	Napara plc	Industry average
Average cars produced per 100 employees in 2021	3150	5500
Percentage of cars requiring recall for faults	2.4%	0.8%
Average time from customer order to delivery	1 month	3 months

The employees in the Napara plc factory are highly skilled but have low motivation. There is high trade union membership amongst the employees. The union members took industrial action last year when they felt management bought incorrect safety equipment that put employees at risk. The action caused negative news headlines. The employees distrust management as a result. None of Napara plc's management have experience working on the production line. Employees worry their jobs are not being done safely and efficiently. This distrust has led to poor employee performance.

In 2023, the business has made the decision to move into the rapidly growing and highly profitable electric car market. Two of the company's current models will be replaced with electric models. The move would require the high-end skills of many of the workers. However, some jobs may be lost.

Customers in the electric car market:

- expect high-quality cars
- are very concerned with the ethics of the brand
- are willing to pay high prices.

Napara plc knows the market for these cars is rapidly changing. Napara plc's shareholders want the company to launch its first electric car as quickly as possible. The business is considering involving employees in the planning for the new production line.

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1 7 . 1 Analyse the implications of the operational data in **Table 3** on the prices that Napara plc can charge its customers.

[9 marks]

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1 7 . 2 Napara plc is considering involving employees in the planning for the new production line for the electric cars.

To what extent do you believe Napara plc should involve the employees in these planning decisions?

[16 marks]

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END OF QUESTIONS

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