
A-level Business 7132/1

Paper 1 Business 1

Specimen 2017

Morning

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 bottom of this page.
- Answer **all** questions in **Section A** and **Section B**.
- Answer **one** question from **Section C** and **one** question from **Section D**. Write these answers in continuous prose.
- Do all rough work in this answer book. Cross through any work you do not want to be marked.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.

Information

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

Section A

Answer **all** question(s) 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

Which **one** of the following is a key reason for a sole trader choosing to become a private limited company?

- A More control of the finances
- B Only being liable for the capital invested into the firm
- C Sharing the risk of the business with other owners
- D Access to more government support through grants

[1 mark]

0 | 2

The Bank of England decides to increase interest rates because inflation has risen above 2.5%. What are the likely consequences for a small business to consider?

- A A fall in sales because of reduced disposable incomes
- B Reduced access to finance through bank loans
- C Higher payments on fixed rate loans
- D A fall in sales because of higher prices

[1 mark]

0 3

The budget for a firm from the last two months is set out below.
All the figures are in £'000s.

	MAY		JUNE	
	Budget	Actual	Budget	Actual
<i>Revenue</i>				
Shop revenue	1050	1200	1250	990
Online revenue	1200	1250	1450	1400
Total revenue	2250	2450	2700	2390
<i>Costs</i>				
Materials	200	300	250	400
Staff costs	700	800	750	800
Overheads	400	400	400	425
Bank charges	150	150	150	150
Marketing	120	125	150	170
Total expenditure	1570	1775	1700	1945

What is the May variance for total profit?

- A Adverse variance of £205
- B Favourable variance of £200
- C Adverse variance of £5
- D Favourable variance of £680

[1 mark]

0 4

A firm's market share last year was 20%. The market growth this year is 20%, but the firm's sales volume stays the same. It's new market share is:

- A 10%
- B 16.7%
- C 20%
- D 33.3%

[1 mark]

0 5

Which of the following is a feature of lean production?

- A Costs per unit are reduced because of less waste.
- B Management is more efficient because of delayering.
- C Workers spend more time focusing on quality.
- D The business moves from labour to capital intensive production.

[1 mark]

0 6

What are the payable days for the company whose figures are shown below?

	£m
Sales revenue	7.5
Cost of sales	3.1
Net profit	1.2
Non-current assets	39.7
Net assets employed	37.1
Stock	0.5
Creditors	0.7

- A 82 days
- B 34 days
- C 24 days
- D 58 days

[1 mark]

0 7

Which of the following is a feature of Hackman and Oldman job design characteristics to predict job satisfaction?

- A All jobs must be designed to improve motivation.
- B Job satisfaction depends whether each given task is meaningful.
- C Performance and therefore satisfaction must be linked to pay.
- D Capital intensive work has less satisfaction than labour intensive work.

[1 mark]

The following information applies to Question 8 and 9

A new games console costs £4m to develop and has an expected lifetime of 3 years. In the first year, the net return is expected to be £3m, and then £2.5m next year and £1.5m in the last year.

0 8

What is the average rate of return for this project?

A 25%

B 33.3%

C £1m

D £3m

[1 mark]

0 9

The firm wants to protect the console from being copied. Which **one** of the following would be the best method to use?

A Patents.

B Limited liability.

C Copyright.

D Rights issue.

[1 mark]

1 0

Using the data in the table, which **one** of the following statements is correct for this business between 2015 and 2016?

Data on a company

	2015	2016
Costs of production	£200,000	£250,000
Plant and machinery	£450,000	£500,000
Average number of production staff	75	70
Total output of business (units)	450,000	550,000

A Labour productivity has improved and staff unit costs have risen.

B Labour productivity has improved and business has become less labour intensive.

C Labour productivity has worsened and staff unit costs have risen.

D Labour productivity has worsened and the business has become less labour intensive.

[1 mark]

1 1

A large multinational business organisation where the decision-making is made a local level is known by which term?

- A Centralised.
- B Localised
- C Delayered.
- D. Decentralised.

[1 mark]

1 2

What are **two** methods for a services company to enter international markets?

- A An alliance with a similar business and licensing their product in that country.
- B Lowering exchange rates and increasing exports of services.
- C An increase in demand for services in another country and a fall in interest rates.
- D A reduction in non-trade barriers and a grant to export.

[1 mark]

1 3

According to Ansoffs' matrix which is the least risky strategic direction for a manufacturer of toy bikes to take?

- A Expanding sales abroad.
- B An increase in spending on current marketing campaigns.
- C Developing a racing bike for adults.
- D Buying a supplier.

[1 mark]

1 4

A firm decides to change its pay structure by introducing piece rate payments for its factory workers. What are the likely outcomes of this decision?

- A An increase in productivity and a decrease in quality.
- B A decrease in productivity and a decrease in cost per unit.
- C An increase in staff turnover and an increase in cost per unit.
- D An improvement in quality and an increase in cost per unit.

[1 mark]

1 5

A firm has a product has a low market share in a market which is growing. According to the Boston Matrix, what decision best suits this firm?

- A This product is a cash cow and the firm should invest the profits into other areas of the business.
- B This product is a star and the firm should continue to invest in marketing.
- C This product is a problem child and the firm needs to consider whether to invest more money in marketing.
- D This product is a star and the firm should invest the profits into other areas of the business.

[1 mark]

Section B

Answer all question(s) in this section.

1 6

The data in **Table 3** refers to a particular business and should be used for **Questions 16.1** and **16.2**.

Table 3 Data on a business

Total staff at start of the year	1450
Total staff at the end of year	1650
Total numbers of leavers	60

1 6

1

Based on the data in **Table 3**, calculate the labour turnover. Show your workings.

[4 marks]

1 6

2

Based on the data in **Table 3**, calculate the employee retention rate for the year. Show your workings.

[4 marks]

1 7

Explain **one** possible benefit of using an agent to sell a product in a foreign market.

[4 marks]

1 8

Explain **one** way in which a large increase in economic growth in the UK could affect a UK producer of small domestic appliances like vacuum cleaners.

[5 marks]

1 9

A small business has been suffering from cash flow problems for the last six months despite an increase in sales. Analyse how it can use debt factoring to improve its cash flow.

[9 marks]

2 0

Many businesses are considering improving their Corporate Social Responsibility (CSR). Analyse the benefits a financial services business can gain from implementing a CSR policy.

[9 marks]

Section CAnswer **either** question 21 or question 22

2 | 1

To what extent is quality assurance likely to be the best way to improve quality in a labour-intensive business.

[25 marks]

2 | 2

There's an increasing amount of information available on the internet. To what extent does secondary research improve marketing decision making.

[25 marks]**Section D**Answer **either** question 23 or question 24

2 | 3

A small business has grown significantly in the last few years but is now facing competition from foreign firms. To what extent do you think that globalisation is threat or an opportunity for a growing business.

[25 marks]

2 | 4

E-commerce is seen as an important opportunity for many firms. To what extent should a business invest in this method of selling.

[25 marks]