



**GCE A LEVEL**



**A510U10-1**

**WEDNESDAY, 25 MAY 2022 – AFTERNOON**

**BUSINESS – A level component 1**

**Business Opportunities and Functions**

**2 hours 15 minutes plus your additional time allowance**

**Surname** \_\_\_\_\_

**First name(s)** \_\_\_\_\_

**Centre Number** \_\_\_\_\_

**Candidate Number** 2 \_\_\_\_\_

|                                |                 |                     |                     |
|--------------------------------|-----------------|---------------------|---------------------|
| <b>For Examiner's use only</b> |                 |                     |                     |
| <b>Section A</b>               | <b>Question</b> | <b>Maximum Mark</b> | <b>Mark Awarded</b> |
|                                | <b>1.</b>       | <b>4</b>            |                     |
|                                | <b>2.</b>       | <b>9</b>            |                     |
|                                | <b>3.</b>       | <b>11</b>           |                     |
| <b>Section B</b>               | <b>4.</b>       | <b>14</b>           |                     |
|                                | <b>5.</b>       | <b>10</b>           |                     |
|                                | <b>6.</b>       | <b>8</b>            |                     |
|                                | <b>7.</b>       | <b>14</b>           |                     |
|                                | <b>8.</b>       | <b>10</b>           |                     |
| <b>Total</b>                   |                 | <b>80</b>           |                     |

## **ADDITIONAL MATERIALS**

**A calculator.**

## **INSTRUCTIONS TO CANDIDATES**

**Use black ink, black ball-point pen or your usual method.**

**Write your name, centre number and candidate number in the spaces provided on the front cover.**

**Answer ALL questions.**

**Additional space is provided for some questions within the booklet (if required). If further space is required for any question, you should use the lined page(s) at the end of this booklet. The question number(s) should be clearly shown.**

## **INFORMATION FOR CANDIDATES**

**The number of marks is given in brackets at the end of each question or part-question.**

**You are reminded of the necessity for good English and orderly presentation in your answers.**

**(Turn over)**

**Answer ALL the questions in the spaces provided.**

**SECTION A**

**1. ENTREPRENEURS**

**Explain TWO reasons why entrepreneurs are important to the UK economy. [4 marks]**

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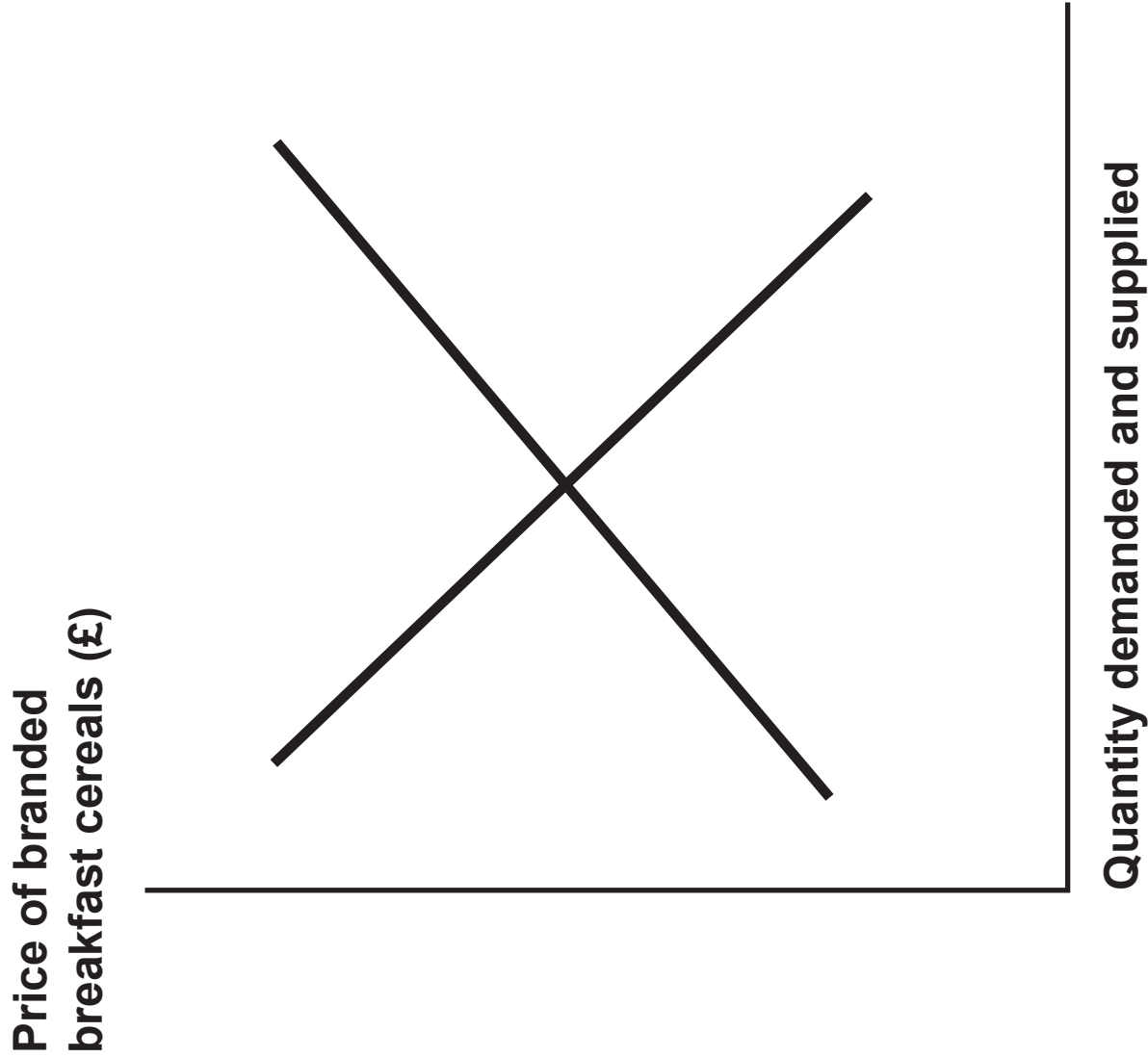
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**Demand and supply diagram for the branded breakfast cereals market**



## 2. DEMAND AND SUPPLY

Average household income in the UK has risen steadily resulting in some consumers making different purchases in their food shopping. This has had an impact on the market for the sale of branded breakfast cereals.

(a) Complete and fully label the demand and supply diagram opposite to show the effect of rising incomes on the market for branded breakfast cereals. [3 marks]

(b) Evaluate the extent to which changes in income can affect the demand for inferior goods.

[6 marks]

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**Additional space for Question 2 (b) only.**

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### 3. SINK OR SWIM

**Water Sports is a well-established business selling a range of sporting equipment for surfing, swimming and canoeing. It trades from a rented hut on a beach in a popular tourist destination on the Cornish coast. The business has faced increased competition and falling profits over the last three years.**

**In 2020, Water Sports made a net profit of £34 500 and its net profit margin was 4.8%. Below is an extract of Water Sports' 2021 profit and loss account (income statement).**

|              | £       |
|--------------|---------|
| Revenue      | 130 000 |
| Gross profit | 72 450  |
| Advertising  | 10 000  |
| Labour       | 30 200  |
| Maintenance  | 2 000   |
| Rent         | 20 000  |

- Advertising is paid monthly.
- Rent is paid monthly in advance.
- Labour includes overtime paid to permanent staff in busy periods.
- Maintenance includes a monthly charge plus a charge per call out.

Using the information opposite and above:

(a) Identify ONE example of a semi-variable cost.

[1 mark]

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**3 (b) Calculate the net profit for 2021. [2 marks]**

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**3 (c) Calculate the net profit margin for 2021. [2 marks]**

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**(d) Evaluate the impact of the change in net profit and net profit margin on Water Sports. [6 marks]**

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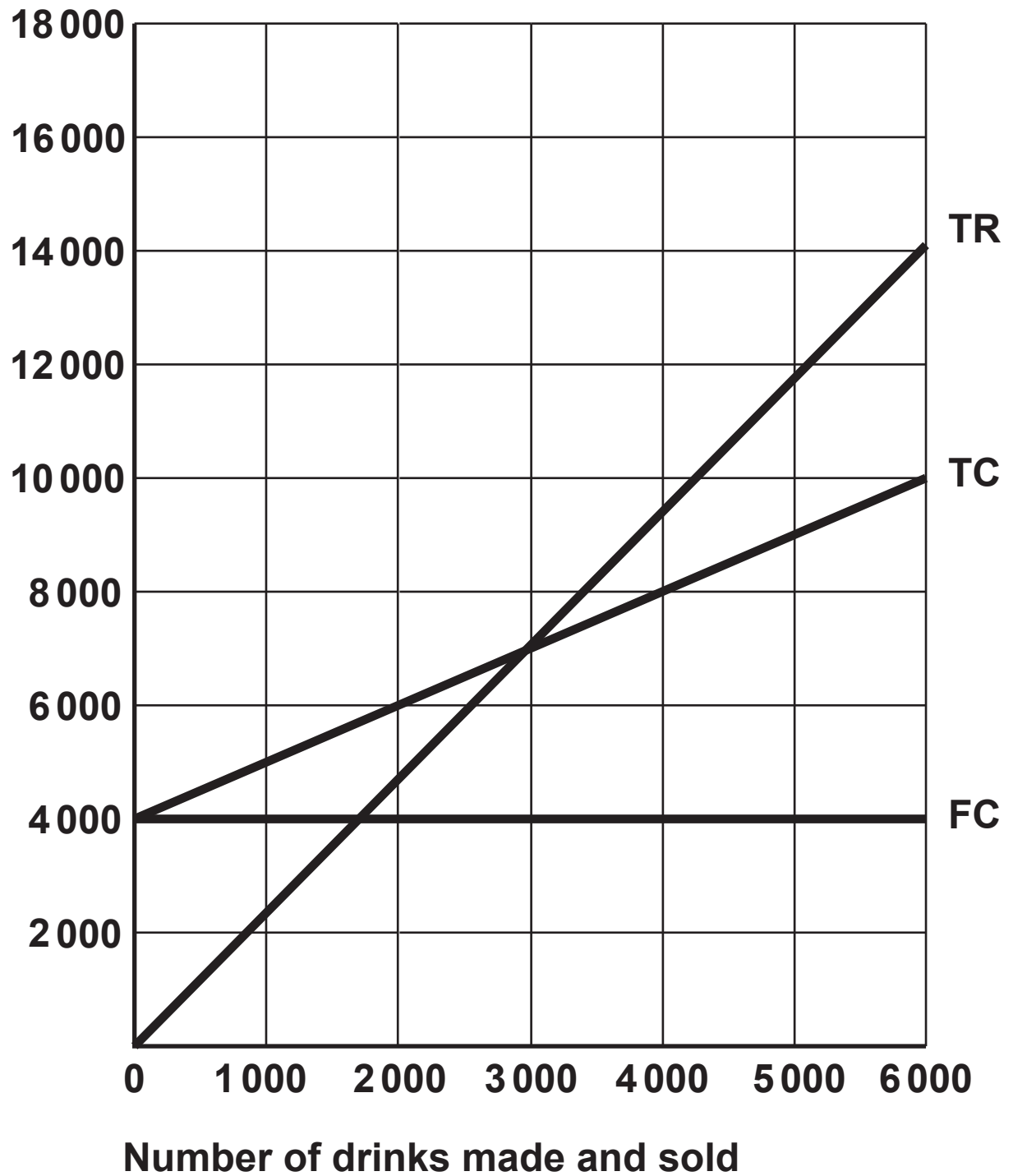
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## Revenue and Costs (£)



**4. BREAK-EVEN AT PB COFFEE SHOP**

Paul and Baljit have owned PB Coffee Shop in Birmingham for just over three years. The average price of a drink in their coffee shop is £2.35 but they are considering increasing the average price to £3. Paul and Baljit sell an average of 6 000 drinks a month. They estimate that the number of drinks sold will remain the same when they increase the price. The owners estimate that fixed costs will rise by £1 000 per month due to hiring a part-time, salaried manager. All other costs, including variable costs of £1 per drink, are estimated to remain the same.

The break-even chart opposite shows the monthly total revenue, fixed costs and total costs of PB Coffee Shop before any changes Paul and Baljit are considering.

- (a) Using the costs and prices given on the opposite page, draw and label on the break-even chart:
  - (i) the new total revenue line. [1 mark]
  - (ii) the new total costs line. [1 mark]

**4 (b) Explain how these changes have affected the break-even point. [2 marks]**

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**4 (c) Evaluate the usefulness of break-even to the stakeholders of a business. [10 marks]**

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**Additional space for Question 4 (c) only.**

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**SECTION B****5. PLACE**

**Armani is a famous Italian fashion brand known for designing, manufacturing, distributing and retailing luxury clothing and accessories such as jewellery, eyewear, fragrances and cosmetics. Armani uses a multi-channel approach to distribute its products, including its own stores and website and through other retailers. The Armani brand has a dominant presence in many countries around the world.**

**Evaluate the impact on Armani of using various distribution channels. [10 marks]**

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|                            | NOV            | DEC          | JAN          | FEB          | MAR            | APR            |
|----------------------------|----------------|--------------|--------------|--------------|----------------|----------------|
|                            | £              | £            | £            | £            | £              | £              |
| <b>Total cash inflows</b>  | <b>6 500</b>   | <b>7 500</b> | <b>6 000</b> | <b>5 500</b> | <b>5 000</b>   | <b>5 000</b>   |
| <b>Total cash outflows</b> | <b>7 500</b>   | <b>8 850</b> | <b>6 825</b> | <b>6 400</b> | <b>6 725</b>   | <b>6 225</b>   |
|                            |                |              |              |              |                |                |
| <b>Net cash flow</b>       | <b>(1 000)</b> | <b>(i)</b>   | <b>(825)</b> | <b>(900)</b> | <b>(1 725)</b> | <b>(1 225)</b> |
| <b>Opening balance</b>     | <b>5 450</b>   | <b>4 450</b> | <b>3 100</b> | <b>2 275</b> | <b>1 375</b>   | <b>(350)</b>   |
| <b>Closing balance</b>     | <b>4 450</b>   | <b>3 100</b> | <b>2 275</b> | <b>1 375</b> | <b>(350)</b>   | <b>(ii)</b>    |

**6. CASH FLOW**

**Nisha has been running a gift shop for the last 2 years. She has produced the cash flow forecast opposite based on last year's trade.**

**(a) Calculate:**

**(i) Net cash flow for December. [1 mark]**

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**(ii) Closing balance for April. [1 mark]**

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**(Turn over)**

**6 (b) Explain the potential limitations to a business of cash flow forecasting. [6 marks]**

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**Additional space for Question 6 (b) only**

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## **7. MANAGING PRODUCTIVITY AT TREAD CAREFULLY**

**Tread Carefully is an established business that produces and supplies tyres to a variety of major vehicle manufacturers in the UK and Europe.**

**In 2019, the owners calculated the capacity utilisation of the business to be 84%. Production levels for 2020 have averaged 32 400 tyres a month. The maximum production capacity of the factory is 450 000 tyres a year.**

**Over the last three years, Tread Carefully has doubled its number of employees to 190 people. Recently, employees indicated their dissatisfaction with their managers about the lack of communication with them as the business has grown. Employees also feel that their views are not considered and their responsibilities are unclear.**

**The owners want to introduce MANAGEMENT BY OBJECTIVES (MBO) as a method to improve their approach to setting targets for employees and to form part of its new staff appraisal system. The owners also want managers to be more aware of how they are managing their staff and have recently paid a consultant to deliver a session on improving performance, which included information on MCGREGOR'S THEORY X AND THEORY Y.**

**(Turn over)**

**7 (a) (i)**

**Calculate the capacity utilisation for 2020.**

**[2 marks]**

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**(ii) Explain the impact of this change in capacity utilisation to Tread Carefully. [2 marks]**

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**7 (b) Describe McGregor's theory X and theory Y.**  
**[4 marks]**

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**7 (c) Explain the advantages and disadvantages to Tread Carefully of using management by objectives (MBO). [6 marks]**

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**Additional space for Question 7 (c) only.**

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## 8. OPERATIONS MANAGEMENT AND TECHNOLOGY

## Evaluate the importance and impact of using technology in the operations of a business.

**[10 marks]**

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**Additional space for Question 8 only.**

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| <b>Question<br/>number</b> | <b>Additional page, if required.<br/>Write the question numbers in the<br/>left-hand margin.</b> |
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| <b>Question<br/>number</b> | <b>Additional page, if required.<br/>Write the question numbers in the<br/>left-hand margin.</b> |
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