



Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

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Forename(s)

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Candidate signature

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I declare this is my own work.

AS BUSINESS

Paper 1 Business 1

Friday 17 May 2024

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****Statement 1:** 'Profit is important because it can measure success.'**Statement 2:** 'Profit is important because it can reward shareholders.'**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 2**Which one of these factors is **not** a feature of lean production?**[1 mark]****A** Frequent deliveries from suppliers☐**B** Long lead times☐**C** Low inventory levels☐**D** Right first time quality☐

0 3

A product has demand that is price inelastic. The business selling this product is most likely to:

[1 mark]

A set a high price and use penetration pricing.

☐

B set a high price and use price skimming.

☐

C set a low price and use penetration pricing.

☐

D set a low price and use price skimming.

☐**0 4**

The directors of a public limited company may change it to a private limited company to:

[1 mark]

A access more funds from the stock exchange.

☐

B gain limited liability.

☐

C increase the number of potential shareholders.

☐

D reduce the level of legal regulations required.

☐

Turn over for the next question

Turn over ►

0 5

Think about Maslow's hierarchy of needs. Which **one** of the following statements does Maslow say is true?

[1 mark]

- A** Security/safety needs must be satisfied before physiological needs can be used to motivate employees.
- B** Self-actualisation needs must be satisfied before ego/esteem needs can be used to motivate employees.
- C** Social/belonging needs must be satisfied before ego/esteem needs can be used to motivate employees.
- D** Social/belonging needs must be satisfied before security/safety needs can be used to motivate employees.

☐☐☐☐**0 6**

Statement 1: 'Market mapping is often used to calculate the market share of a business.'

Statement 2: 'Market mapping shows the geographical location of a business on a map.'

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 7**

A business has an opening balance of £5000 on 1 July.

In the month of July, there is a cash outflow of £14 000. The net cash flow for July is £22 000.

The business' closing balance on 31 July is:

[1 mark]**A** -£9000☐**B** £8000☐**C** £13 000☐**D** £27 000☐

0 8Which of the following actions is most likely to improve profits in the **short-term**?**[1 mark]****A** Increasing capital expenditure☐**B** Increasing spending on marketing research☐**C** Increasing the price of a good which has price inelastic demand☐**D** Increasing training for employees in new production methods☐**0 9**Which **one** of the following is most likely to be the result of successful employee engagement?**[1 mark]****A** Higher labour costs per unit☐**B** Higher trade union membership☐**C** Lower labour productivity☐**D** Lower labour turnover☐**1 0**

Company X has a 40% market share. The market size declines by 20%. There are no other changes. Company X's market share now is:

[1 mark]**A** 32%☐**B** 48%☐**C** 50%☐**D** 60%☐**10****Turn over ►**

Section BAnswer **all** questions in this section.**1 1** A small theatre business opens at the weekends.

This is the data recorded for one weekend.

	Saturday	Sunday
Number of seats sold	850	980
Capacity of theatre (number of seats)	1000	1000

Calculate the capacity utilisation for the weekend above.

[3 marks]

3**1 2** Explain **one** way an increase in competition could lead to fixed costs rising for a business.**[3 marks]**

3

Selling price per unit	£5
Output	9000 units
Variable cost of each unit	£2
Expenses	£20 000

[4 marks]

[4 marks]

[illegible]

[6 marks]

[illegible]

6



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ANSWER IN THE SPACES PROVIDED**

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Section CAnswer **all** questions in this section.**1 6****Paul's Puzzle Business**

Paul retired from his full-time job in 2018 and started a small business as a sole trader. The most Paul wanted to work was two days a week. He produces wooden puzzles which are sold to two large retailers. Paul's main aim when starting was to make an operating profit of £20 000 a year to add to his pension. Since starting, Paul has more than doubled this profit figure. He has worked more than expected but has really enjoyed it.

Trends for the puzzles change quickly. Paul can respond immediately by altering the designs produced. Paul provides the puzzles to the retailers but receives payment three months later. He makes a large gross profit margin. Paul worries about having to pay his supplier for all material costs even if puzzles do not sell. Last month, sales hit record figures and now the retailers owe Paul a large amount of money.

Paul's supplier usually sells to him in bulk. The supplier has offered an excellent one-off half price deal on materials for orders by the end of this month. Paul is keen to take up the offer. However, he does not have enough cash available to do this. Paul's bank manager advised him that interest rates on loans would be 6% and are rising very rapidly. Another lender said they could arrange a debt factoring agreement at 85% of any sales invoices.

Recently, Paul has been contacted by an investor, Holly. Holly has no experience in this market but is impressed with Paul's business. She believes she can help him to expand but insists that Paul's business would have to be turned into a private limited company. Paul would maintain a 40% share and she would own the rest. Holly would buy new machinery to help Paul make more items. Holly has promised she can increase profits by 300% but she would make all the decisions. This would allow Paul to go back to working two days a week.



Analyse the factors Paul might consider when deciding whether to use debt factoring to improve cashflow.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

c

Recommend whether Paul should take the investment offered for expansion by Holly or remain as a sole trader.

[16 marks]

[illegible]

Extra space

Turn over ►



[illegible]

[illegible]

Turn over ►



1 7

Refurb-iture Ltd

Veronica is CEO of Refurb-iture Ltd, which makes and sells luxury home furniture to high income groups. Currently all of its furniture is made from reclaimed and recycled materials. The business has grown rapidly in the last two years. The number of staff in the sales department has increased from 15 to 75. As a result, many staff are inexperienced. In the sales department, there are currently 5 managers and 10 deputy managers. Each deputy manager is in charge of 6 assistants.

Some new staff have reported they do not feel very well supported. There have been some complaints from customers about slow service times as staff check information with deputy managers. The business' staffing costs are double that of its main competitor.

Veronica recognises that good customer service and eco-friendly products are the main reasons customers buy from Refurb-iture Ltd. The shareholders of Refurb-iture Ltd have set Veronica the following objectives:

- expand the product portfolio from just home furniture to achieve rapid sales growth
- maintain its exclusive and unique brand image
- increase profitability in the long term.

Veronica is determined to meet these objectives by increasing the product portfolio with one new type of product. She has researched two options for the new type of product: garden furniture or office furniture. Her research is shown below.

	Garden furniture option	Office furniture option
Market value in UK	£12 million	£650 million
Growth in the market in last 10 years	10%	25%
Average price per unit	£1500	£150
Initial investment cost for machinery	£2.5 million	£1.2 million
Variable cost per unit	£120	£22
Discounts offered by suppliers for bulk purchases	Not offered	15%
Materials used	100% eco-friendly	40% eco-friendly
Number of competitors with similar products	1	8



[9 marks]

[illegible]

C

Recommend whether Refurb-iture Ltd should choose garden furniture or office furniture for its expansion.

[16 marks]

[illegible]

Extra space

Turn over ►



[illegible]

16

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[illegible]

[illegible]

[illegible]