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

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 bank overdraft is:

[1 mark]

A an external source of long-term finance.

B an external source of short-term finance.

C an internal source of long-term finance.

D an internal source of short-term finance.

0 2 **Statement 1**: 'Total contribution = (selling price per unit – variable costs per unit) × quantity'.

Statement 2: 'Total revenue = Total contribution + 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.

Do not write outside the box

0 3 **Statement 1**: 'According to Blake Mouton, a middle-of-the-road leader has a greater concern for production than a country club leader.'

Statement 2: 'According to Blake Mouton, an impoverished leader has a greater concern for production than a team leader.'

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 Sales revenue will stay the same if:

[1 mark]

A prices rise by 5% and the price elasticity of demand is 0 ⬭

B prices rise by 10% and the price elasticity of demand is −1 ⬭

C incomes rise by 5% and the income elasticity of demand is −1 ⬭

D incomes rise by 10% and the income elasticity of demand is −0.1 ⬭

0 5 A business's target market is based on young people who frequently visit gyms. This business is using which of the following types of market segmentation?

[1 mark]

A Behavioural and demographic ⬭

B Behavioural and income ⬭

C Demographic and geographic ⬭

D Income and demographic ⬭

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0 6 Which one of these stakeholders is least likely to have their needs satisfied by a company?

[1 mark]

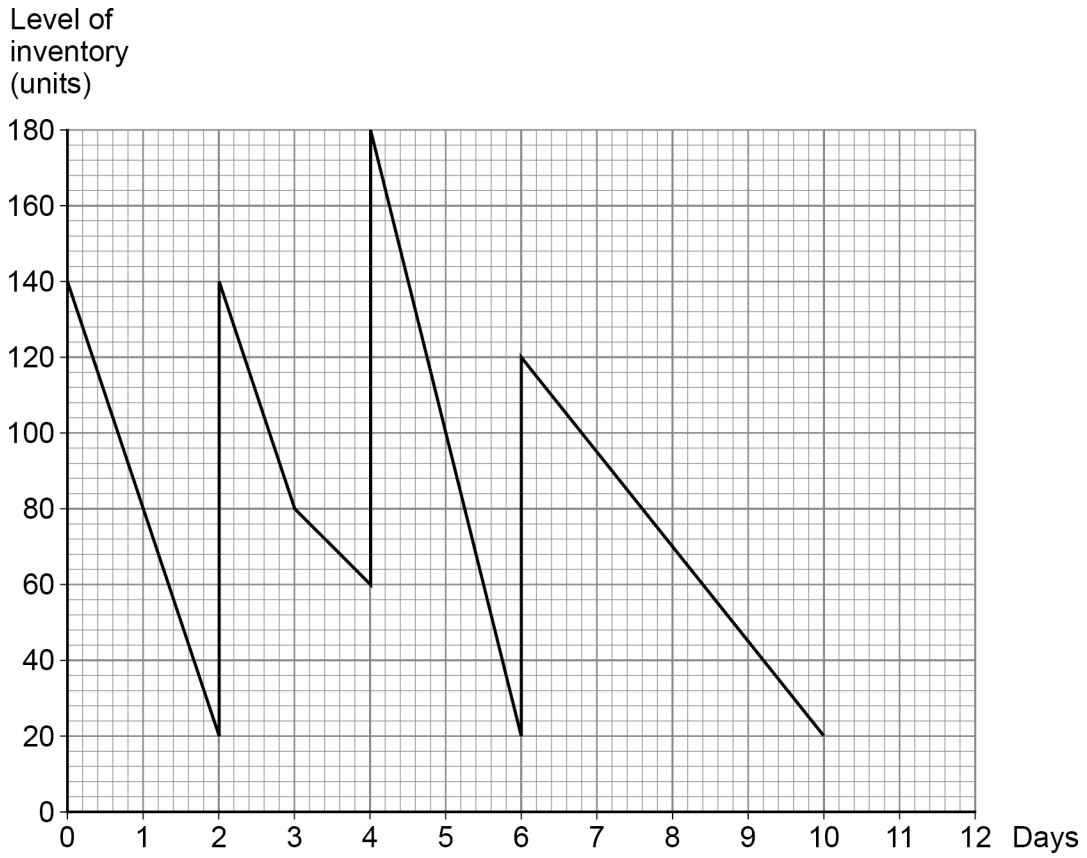
A Competitors ⬭

B Employees ⬭

C Shareholders ⬭

D Suppliers ⬭

Questions 7 and 8 are based on the diagram below.



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0 7 Daily demand for the product was highest between days:

[1 mark]

A Day 0 to end of day 2

B End of day 3 to end of day 4

C End of day 4 to end of day 6

D End of day 6 to end of day 10

0 8 The lead time is one day. On which day was the reorder quantity changed?

[1 mark]

A Day 2

B Day 3

C Day 5

D Day 6

0 9 Which of the following formulae measures market growth in 2021?

[1 mark]

A $\frac{\text{Market sales in 2020} - \text{Market sales in 2021}}{\text{Market sales in 2021}} \times 100$

B $\frac{\text{Market sales in 2020} - \text{Market sales in 2021}}{\text{Market sales in 2020}} \times 100$

C $\frac{\text{Market sales in 2021} - \text{Market sales in 2020}}{\text{Market sales in 2021}} \times 100$

D $\frac{\text{Market sales in 2021} - \text{Market sales in 2020}}{\text{Market sales in 2020}} \times 100$

Do not write outside the box

1 0 According to Herzberg, which of the following is a hygiene factor?

[1 mark]

A Company policy

B Promotion prospects

C Sense of achievement

D The nature of the work

10

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Section B

Answer **all** questions in this section.

1 1 A business has a high level of trade union membership among its employees.

Explain **one** benefit of this to the business.

[4 marks]

4

1 2 A business had 30 000 employees in 2019. Its staff numbers increased by 25% in 2020. In 2020, 3000 employees left the business.

Calculate the labour turnover for this business in 2020.

[3 marks]

3

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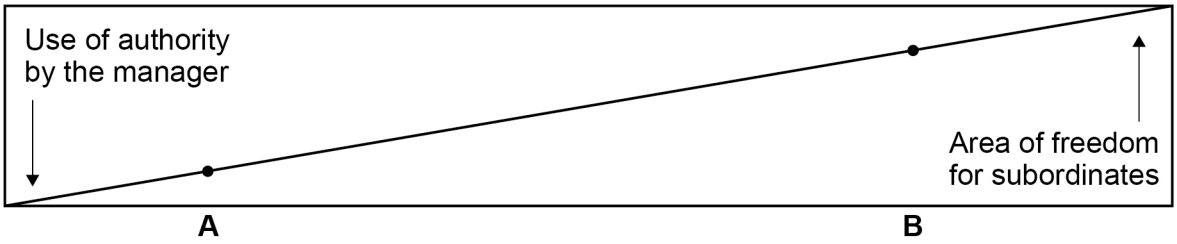
1 3 Managers' leadership style in a business is shown by the Tannenbaum and Schmidt diagram below. The managers change their leadership style from point A to point B.

Explain **one** benefit of this change to the business.



[4 marks]

4

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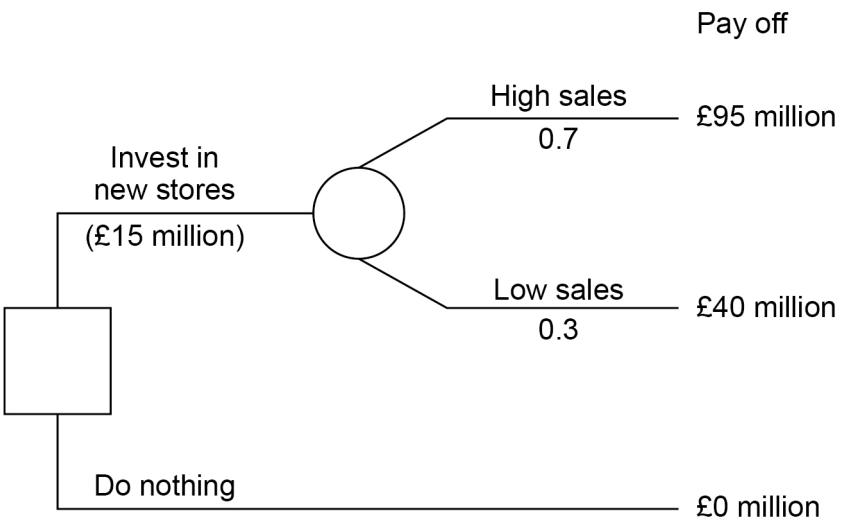
1 4 A business is deciding whether to expand through investing in new stores. The business produces the decision tree below.



Calculate the net gain to this business of investing in new stores.

[4 marks]

Extra space

4

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1 5 A restaurant chain decentralises **marketing** decisions to individual store managers.

Analyse **one** way in which this change may increase the **sales revenue** of the business.

[5 marks]

Extra space

5

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Section C

Answer **all** questions in this section.

1 6

Rockall Ltd

Rockall Ltd is a family-owned business that has manufactured clothes for 30 years. The company has grown steadily without taking 'excessive risks'. The business targets the 16–30 age segment of the clothes market where low prices are important to customers. Rockall is recognised in this market for its 'good value'. To keep production costs low, basic materials and designs are used for all the products it makes. Rockall does not use advertising.

Table 1 Extracts from Rockall Ltd Income Statements 2019 and 2020

	2020	2019
Revenue	£850 million	£650 million
Gross profit margin	80%	75%
Operating profit margin	38%	45%

2020 was a busy year for Rockall:

- It doubled the size of its rented head office.
- Several new retailers signed contracts to sell its products. This resulted in larger purchases of materials allowing it to negotiate considerable discounts.
- It introduced lean production.
- It introduced a new layer of management.

Rockall is thinking about the future. In the last couple of years it has launched two new product ranges: sports shoes and jewellery accessories. It has now decided that, in addition to its clothing, it will increase its investment in just one of these new product ranges. Recently, Rockall completed market research that showed:

- total sales in the sports shoe market targeted by Rockall were double jewellery market sales last year
- many customers in the sports shoe market are in the 16–30 age range
- a number of large, well-known sports shoe brands dominate this market, spending several hundred million pounds on advertising
- the sports shoe brands charge high prices and make high profit margins
- its jewellery generally has a lower gross profit margin than its sports shoes
- there are many relatively small producers in the jewellery market.

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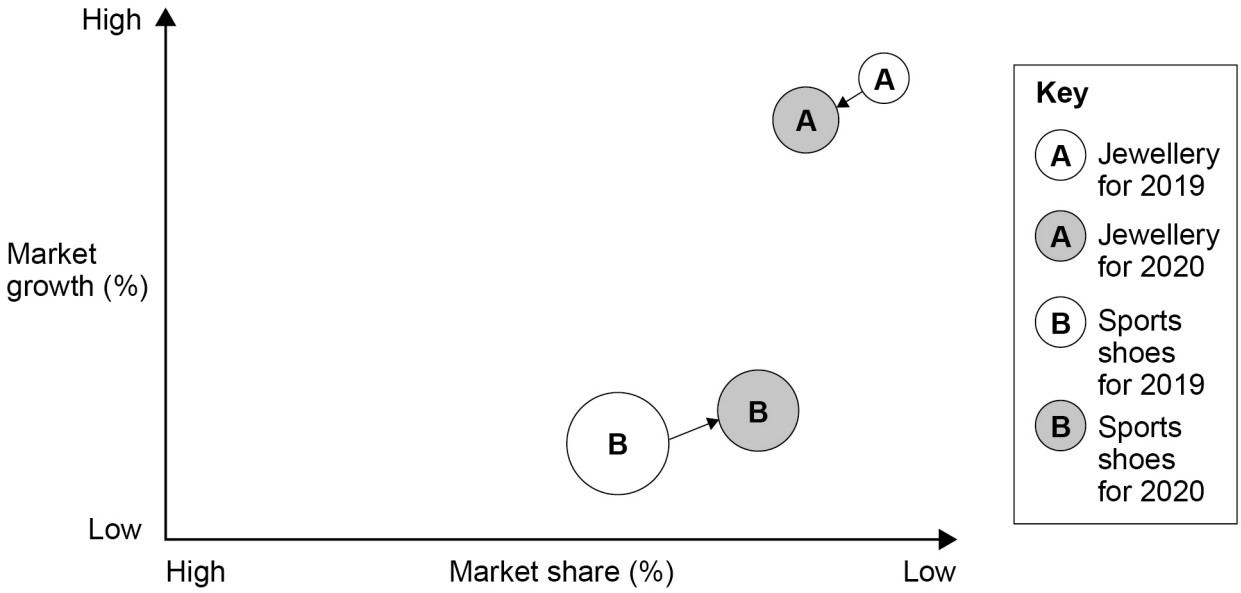
Following its research, Rockall produced the Boston Matrix below relating to its existing products in the sports shoe and jewellery markets in 2019 and 2020:

Figure 1 Boston Matrix
(The area of a circle represents the sales value of the product.)



1 6 . 1 With reference to **Table 1**, analyse the causes of the changes in the profit margins for Rockall Ltd between 2019 and 2020.

[9 marks]

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9

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1 6 . 2 Rockall plans to increase investment in just one of its new product ranges.

Advise Rockall whether to increase investment in its sports shoe range or its jewellery range.

Justify your answer.

[16 marks]

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1 7

Fit Gym plc

Eamon is Chief Executive of a large gym chain called Fit Gym plc. Eamon established the business in 2008, aged 30. He is passionate about people getting fit and providing a great gym experience for customers. Eamon has £45 million in personal savings.

Eamon's personal objectives are to:

- continue to develop the premium image of Fit Gym
- work within the fitness industry for at least the next decade.

The market for gym membership is growing rapidly. Fit Gym operates premium gyms based in city centres; they are open 8 am to 6 pm every day of the week. Fit Gym's target market is city workers, who work at offices near the gym. Its busiest hours tend to be around the start and finish of the office working day.

Fit Gym's customers are not price sensitive but expect to have easy access to the equipment. In recent weeks, capacity has been a problem as customers have complained about growing queues to use the gym equipment at busy times. Compared to rival gyms, Fit Gym has double the level of staffing to maintain a high level of customer service. Most staff are paid by the hour; the hourly pay is high for the industry.

Fit Gym became a public limited company in 2016. It has 100 million shares issued. Eamon retained 10% ownership. The current share price is 50p.

Table 2 Data comparing Fit Gym to competitors in 2020

	Fit Gym	Average for competitor gyms
Monthly membership price	£60	£35
Opening hours per week	70	104
Customer satisfaction rating on gym review website	92%	78%
Staff costs	55% of total costs	30% of total costs

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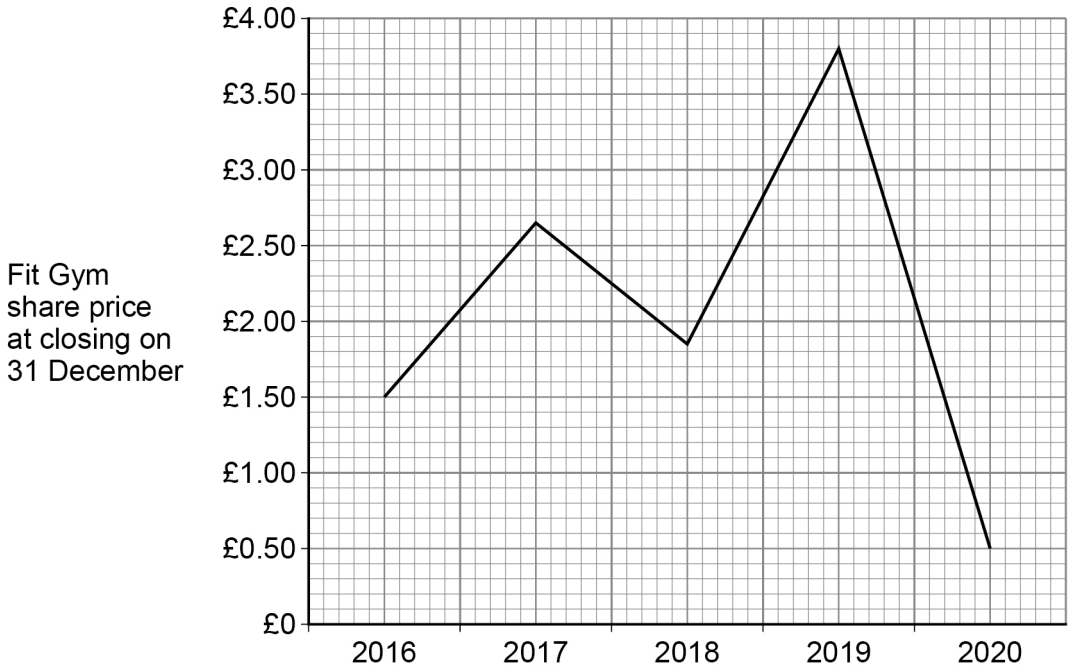
Figure 2 Fit Gym share price 2016–2020



Eamon has consistently argued for high levels of investment in staff, premium facilities and top-quality equipment; this has led to low dividends. Most of the other shareholders now want to cut costs to improve profitability. The shareholders have asked Eamon to cut staffing levels and sell off less profitable gyms. They want Eamon to relocate many of the remaining gyms to cheaper sites. They also want increases in dividends and have threatened to replace Eamon as Chief Executive if this does not happen.

Meanwhile, a highly profitable American gym chain is considering expanding into the UK market. It has a reputation for buying out rival chains and cutting costs.

1 7 . 1 To increase capacity, Eamon is considering increasing the opening hours of its gyms.

Analyse how Fit Gym might be affected if it made this decision.

[9 marks]

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1 7 . 2 Eamon is considering using his personal savings to buy out the shareholders in Fit Gym plc to convert it back to a private limited company.

To what extent do you think this would be a good decision for Eamon?

[16 marks]

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16

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