

Surname	Centre Number	Candidate Number
First name(s)		2



GCE A LEVEL

A510U10-1



THURSDAY, 7 OCTOBER 2021 – MORNING

BUSINESS – A level component 1
Business Opportunities and Functions
 2 hours 15 minutes

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
Section A	1.	4
	2.	16
	3.	8
Section B	4.	12
	5.	10
	6.	6
	7.	12
	8.	12
Total	80	

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen. Do not use pencil or gel pen. Do not use correction fluid.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** questions.

Write your answers in the spaces provided in this booklet. If you run out of space, use the additional page(s) at the back of the booklet, taking care to number the question(s) correctly.

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.



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Answer all the questions in the spaces provided.

SECTION A

1. Elasticity at ASDA

Like many other supermarket chains, ASDA sells a range of own-label products. As part of its budget Smart Price range, it sells items such as Milk Chocolate. Its premium Extra Special range features products such as Jumbo King Prawns.

Demand for these types of products can be affected by changes in consumer income. Analysing the **income elasticity of demand** can help supermarkets to make decisions in order to maximise revenue from selling these products.

(a) Define the term *income elasticity of demand*. [2]

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(b) State the likely effect on demand for the following products if consumer incomes increased:

(i) ASDA Smart Price Milk Chocolate. [1]

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(ii) ASDA Extra Special Jumbo King Prawns. [1]

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2. Financing and structuring Kim’s business

Kim recently left her job in the **public sector** where she had worked as a full-time healthcare assistant for 15 years. Kim decided that she wanted more control over her working life and the potential for a higher income, so she decided to start her own business walking dogs, which had been Kim’s hobby for many years. Kim believed that owning her own business would give her more freedom to make more of her own decisions, which is something that she values.

Kim has spoken to her friend Kevin, who owns a shop selling pet food and toys called Paw All Your Needs Ltd., about setting up and running her new business. Kim has not owned her own business before and Kevin has explained to Kim that having **limited liability** was an important factor when he started his own business. Kim is considering setting up her dog walking business as either a sole trader or as a private limited company.

Kevin has offered to invest £15 000 in Kim’s business, in return for a 25% shareholding in the business, but only if Kim chooses to form a private limited company. Kevin has said to Kim that he would also like input into making decisions if Kim accepted his offer. If Kim does not accept Kevin’s offer, she is prepared to use the small amount of personal savings that she has to invest in her business, but will also need to arrange a bank loan to finance her setup costs. This would include buying a suitable van to travel to clients and to transport dogs.

(a) State **two** features of the *public sector*. [2]

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(b) Explain **one** advantage and **one** disadvantage of using a bank loan as a source of finance. [4]

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(c) To what extent do you agree that *limited liability* is the most important factor to Kim in choosing the legal structure for her business? [10]

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3. Calculating Roshan’s break-even output and profit

Roshan started his business manufacturing chairs last year. The information in the table below relates to Roshan’s business:

Selling price of each chair	£90
Annual fixed costs	£120 000
Cost of materials per chair	£35
Cost of labour per chair	£15
Number of chairs produced and sold each month	350

Roshan’s break-even output is 3 000 chairs per year.

(a) Calculate Roshan’s contribution per chair. [2]

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Roshan is considering increasing the selling price of each chair by £5. He has also managed to find a new factory where his annual fixed costs would reduce by 10%.

(b) (i) Calculate Roshan’s new break-even output. [2]

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(ii) Explain the effect of these changes on Roshan’s business. [4]

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SECTION B

4. Marketing technology

(a) Define the term *market orientation*. [2]

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(b) Evaluate the impact on business success of using new technologies for marketing activities. [10]

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5. Ashley's income statements

Ashley owns his own high-end florist. He provides a free delivery service to his customers and buys his flowers from several different suppliers that import flowers from abroad. Ashley prides himself on the quality and freshness of his flowers and receives deliveries from suppliers to his shop each day. Ashley's income statements for the last two years are below:

	2020	2019
	£000's	£000's
Sales Turnover	60	62
Cost of Sales	15	13
Gross Profit	45	49
Expenses	28	27
Net Profit	17	22

Ashley's net profit margin for 2020 was 28.33%.

(a) Calculate Ashley's net profit margin for 2019.

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(b) Assess the change in Ashley's net profit margin and evaluate ways in which he could improve his net profit.

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6. Productivity at SistaPrint

SistaPrint fulfils online orders from customers wishing to have photos printed on a range of products that the business offers such as t-shirts, greeting cards and mugs. SistaPrint have decided to sell all of its existing printing machines and to buy new up-to-date printing machines as a way to increase its productivity levels. The information in the table below shows the current data and the forecast data if SistaPrint invested in the up-to-date printing machines.

	Current data	Forecast data
Number of printing machines	6	5
Total number of prints per month	18000	25000
Capital productivity (prints per machine per month)	3000	5000
Machine downtime (hours per month)	15	14
Number of employees	4	5

(a) Calculate the forecast percentage increase in the capital productivity levels. [1]

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(b) With reference to the information above, evaluate the impact of increased productivity levels on SistaPrint. [5]

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7. It's all about the people

There are many reasons why employees choose to leave the business they work for, including being unsatisfied with their working conditions, receiving a better offer elsewhere or just wanting a new challenge. Employees that leave a business, often at short notice, is just one issue that causes challenges to human resource departments with their **workforce planning**.

- (a) Outline the meaning of the term *workforce planning*. [2]

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Conflict with their employer is another reason why employees might choose to leave their job or is the reason why industrial action, such as strikes, takes place.

- (b) Conflict between employers and employees will only result in negative outcomes for the various stakeholders of a business. To what extent do you agree with this statement? [10]

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8. Leadership at Appy Dayz

Gemma Ashborne-Patel founded her technology business, Appy Dayz, eight years ago. Appy Dayz develops mobile applications (apps) for businesses who want to achieve sales through m-commerce platforms. Appy Dayz has grown and has achieved success through her strong leadership, hard work and attention to detail. Gemma’s clients have chosen to use her business because of the creativity of the apps and the reliability of Appy Dayz to deliver work on time. However, more recently, Gemma has received complaints from some of her clients for both the poor quality of the apps and having to wait a longer time for problems to be fixed.

Gemma prefers to keep tight control over decisions and even as her business has grown she has continued to make all of the decisions, including app development, marketing and finance. This has meant that staff are waiting for a decision to be made as Gemma is very busy.

Appy Dayz employs eight app developers and three other staff in supporting roles in sales, finance and administration. The app developers are a team of qualified and talented staff who were recruited from competitors. Some staff have explained to Gemma that they are used to having more freedom to do their jobs and being involved in decision making.

Appy Dayz has faced increasing competition within the app development industry, which Gemma believes is to blame for a fall in sales for Appy Dayz in the last two years. Last year, four app developers left within six months of each other because they were unhappy with their working conditions.

Evaluate the styles of leadership which may be suitable for Gemma to use when dealing with the problems currently faced by Appy Dayz. [12]

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