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A LEVEL BUSINESS

COMPONENT 1 eduqu

**Business Opportunities and Functions** 

SPECIMEN PAPER

2 hours 15 minutes

#### **ADDITIONAL MATERIALS**

In addition to this examination paper, you will need a calculator.

#### **INSTRUCTIONS TO CANDIDATES**

Answer all the questions in the spaces provided.

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.

#### 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 need for good English and orderly, clear presentation in your answers.

No certificate will be awarded to a candidate detected in any unfair practice during the examination.

# Answer all the questions in the spaces provided.

# SECTION A

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What is n	neant by te, using th	the term a	added valu le of a furr	ie? Illustr	ate how th	ne product makes wo	tion process	s can s. [3
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J.	£12 (	of willier has started her own business making picture frames. Her fixed costs 200 a year and her variable costs are £4 per frame. Last year she sold 2 500 es at £10 each.	
	(a)	State the difference between fixed and variable costs.	[2]
			••••
	(b)	Calculate the contribution per frame.	[2]
			• • • •
	(c)	Calculate Emily's break-even output.	[2]
	******		
	(d)	Calculate her profit for last year.	[2]
			•••

to increase her prices. Calculate her profit for this year. [3] (e) Rachel Edwards is a sole trader. She founded her business making speciality cakes 4. three years ago. Rachel now wishes to expand her business and she needs to raise additional finance. She has made an appointment with her bank manager in an attempt to ask for an increased overdraft facility which is currently £200. In addition, she has also approached her friend Jo, a successful local businesswoman, to invest £20 000 into the business to allow her to expand her production. Explain the advantages and disadvantages of both the increased overdraft facility and Jo's £20 000 investment to Rachel's business. [6]

Emily expects her fixed costs to increase by 10% this year and her variable costs to increase by 5%. She expects to sell the same number of frames and does not intend

#### SECTION B

## 5. Homework, tea, then my business calls

James Gilmore is a 16 year old schoolboy who has his own radio station, Wizard Radio. This is an internet station launched from his bedroom in his parent's house in 2010. It began as a one-off broadcast with a friend. Today James has 50 voluntary staff working for him, five Wizard offshoots, including an events agency and a record label, and listeners in the US, Britain and Hungary.

James is one of a growing number of entrepreneur pupils now balancing their studies with commercial enterprises. "It's difficult, it's like I have a school working day and then another job. I get home, have some food, and then from 4.45pm I work on the show".

James is reinvesting any profits in the company, which is registered in his father's name. "I'm going to finish my A levels and then I hope to do broadcasting professionally. Right now I have nothing to lose apart from time. I'm not financially supporting myself, so I can throw myself at it. That's what's great about setting up a business when you're young, you can go through hard times and not fall down".

Source: Adapted from the Sunday Times 9 February 2014

To what extent could it be argued that James Gilmore has the characteristics of a typical entrepreneur? [8]

6. Paddy Crerar is the Chief Executive of Crerar Hotels Ltd which employs 500 people in the UK. In answer to the question "how do you get the best out of your staff?" he replied "my personal style is approachable and very honest. I tell people what I think and that honesty is welcomed. We fight a lot but conflict is great, conflict is healthy".

Mr Crerar is known as a hands-on leader and he says that no matter how large the company gets he will resist having a human resources department. "The business is about people. If we have a human resources department then we are putting a barrier between ourselves and the people". His staff talk to him directly about any concerns they might have.

The best piece of management advice Mr Crerar has ever received was from Tom Farmer, the founder of Kwik Fit, who said: "Never employ anyone you don't like". Mr Crerar further explained: "If you like them then you can work round any shortcomings".

Source: Adapted from the Times 24 February 2014

(a)	Describe two functions that would normally be performed by a human resources department.	[4]
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(b)	Discuss the methods that Mr Crerar might use to motivate his hotel employees.	[12]
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## 7. Shake-up at Sony removes the focus from televisions

Sony is one of the leading manufacturers of consumer electronic products. These products include televisions, cameras, audio equipment, computers, mobile phones and gaming consoles.

Television manufacturing is being cut back severely by Sony in favour of making more mobile phones, video games consoles and digital cameras. Kazuo Hirai, Sony's Chief Executive, said that the loss-making electronics group "can't be losing money left, right and centre" and emphasised the need to slash costs. Sony will continue to make televisions, but will reduce its investment in the sector dramatically.

Traditionally, televisions have been regarded as a cash cow for Sony, but Mr Hirai has questioned this. "Can televisions still be the core business for an electronics company? That, I think, is a challenge". He added that in the future the vast majority of investment would go to the digital imaging, mobile and games divisions.

Sony's decline is attributed by analysts to its inability to create any new hit products and being out-thought by rivals including Apple and Samsung.

Source: Adapted from the Times 21 January 2013

(a)	What is meant by the term cash cow? Explain the importance of having case cows as part of a product portfolio.	[6]
		••••

(D)	Apple and Samsung, having the correct product portfolio is the most						
	important part of the marketing mix.	[12]					
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### 8. Relax Dad, R2-D2 will do the bins

Sir James Dyson, one of the country's most successful entrepreneurs, has taken on his biggest challenge yet: to create affordable house robots that will revolutionise domestic chores.

He believes that robots will soon be able to cope with almost every household task, from cleaning to putting out the bins and spotting intruders. He wants to create "a new generation of robots that understand the world around them".

"Almost anything where you need a human to do it, you could replace that with a robot.

Sir James says his domestic robots will face fierce competition from Japan and America. Some economists have warned that the creation of more advanced robots will mean the loss of millions of jobs for humans. But Sir James believes we should not be alarmed. "The more technology you have, the more people you need to run the technology and design it. I think it will have a reverse effect. It will create jobs and make jobs more complex and more interesting", he said.

Source: Adapted from the Sunday Times 9 February 2014

To what extent do you agree with the view that all stakeholders will benefit from sort of new technology that Sir James Dyson's company is developing.	[12]
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