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

Friday 16 May 2025   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	

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:** 'A sole trader is personally liable for all debts of the business.'

Statement 2: 'The owners of a public limited company are guaranteed to receive higher dividends if profits increase.'

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 of the following statements is the **most** likely example of an objective that the operations function of a business might set?

[1 mark]

A To deliver 90% of customer orders within 72 hours of order.

B To increase net cash flow to £15 000 for the month of October.

C To increase the value of sales by 15% by the end of 2026.

D To reduce rates of absenteeism by 10% during 2026.

Do not write outside the box

0 3 Which of the following options should a business choose to improve its gross profit margin?

[1 mark]

A Ask the owner of the building for a reduction in the rent paid for the head office. ⬭

B Increase the selling price of each product by £25. ⬭

C Offer customers a discount for making payment within 14 days. ⬭

D Sell some non-current assets that were bought for £90 000 in 2024. ⬭

0 4 Originally a business targeted its marketing towards male customers. It decides to change its focus to those customers who have the highest frequency of purchases.

This is a change from:

[1 mark]

A behavioural segmentation to income segmentation. ⬭

B demographic segmentation to behavioural segmentation. ⬭

C demographic segmentation to income segmentation. ⬭

D geographic segmentation to behavioural segmentation. ⬭

0 5 The table below provides data on XYZ plc's four factories.

XYZ plc aims to achieve a minimum labour productivity of 3 units per employee and unit costs below £5.

Which of its factories achieves **both** aims?

[1 mark]

	Factory	Number of employees	Output	Total cost £	
A	Factory A	25	100	550	⬭
B	Factory B	40	100	600	⬭
C	Factory C	50	200	800	⬭
D	Factory D	100	200	1200	⬭

Turn over ▶

0 6 **Statement 1:** 'A finance department delegating responsibility for budgetary management to each functional area within a business is an example of outsourcing.'

Statement 2: 'Producing to order can allow a business to improve the way it matches supply to meet demand.'

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.

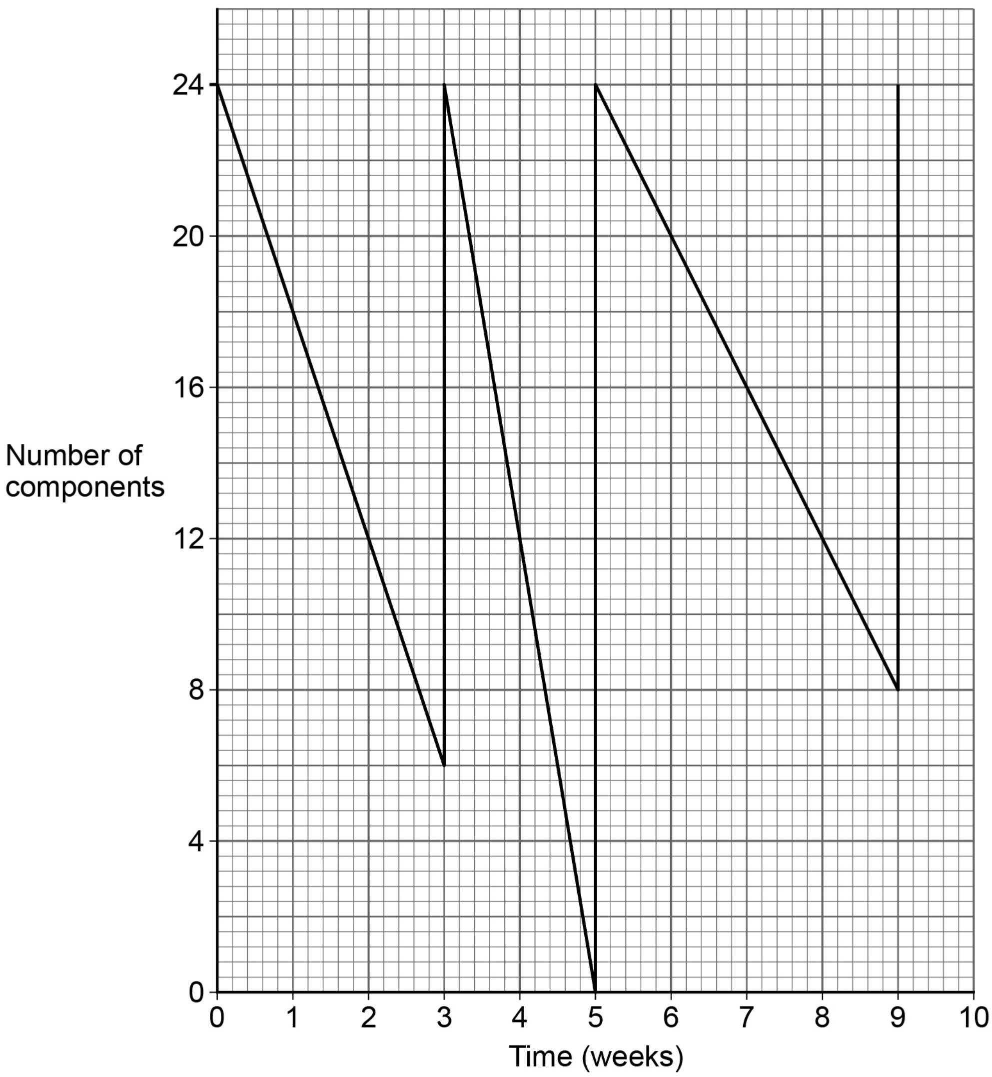
C Statement 1 is false. Statement 2 is true.

D Statement 1 is false. Statement 2 is false.

Do not write outside the box

0 7 A business orders components for its production. The lead time is one week. The business tracks its inventory using the chart in **Figure 1** below.

Figure 1



What is the business' reorder level?

[1 mark]

A 8 components ⬭

B 12 components ⬭

C 16 components ⬭

D 24 components ⬭

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0 8 Xantus produces luxury cars.

Which of the following is an external factor that would increase demand for Xantus' cars?

[1 mark]

A An improvement in the efficiency of production.

B A marketing campaign that raises awareness of the brand.

C A reduction in interest rates.

D An increase in competition in the market.

0 9 The table below shows financial information for a business.

	£000s
Total revenue	529
Cost of sales	192
Corporation tax	7
Finance costs	18
Operating expenses (overheads)	285

What is the business' profit for the year?

[1 mark]

A £27 000

B £34 000

C £52 000

D £237 000

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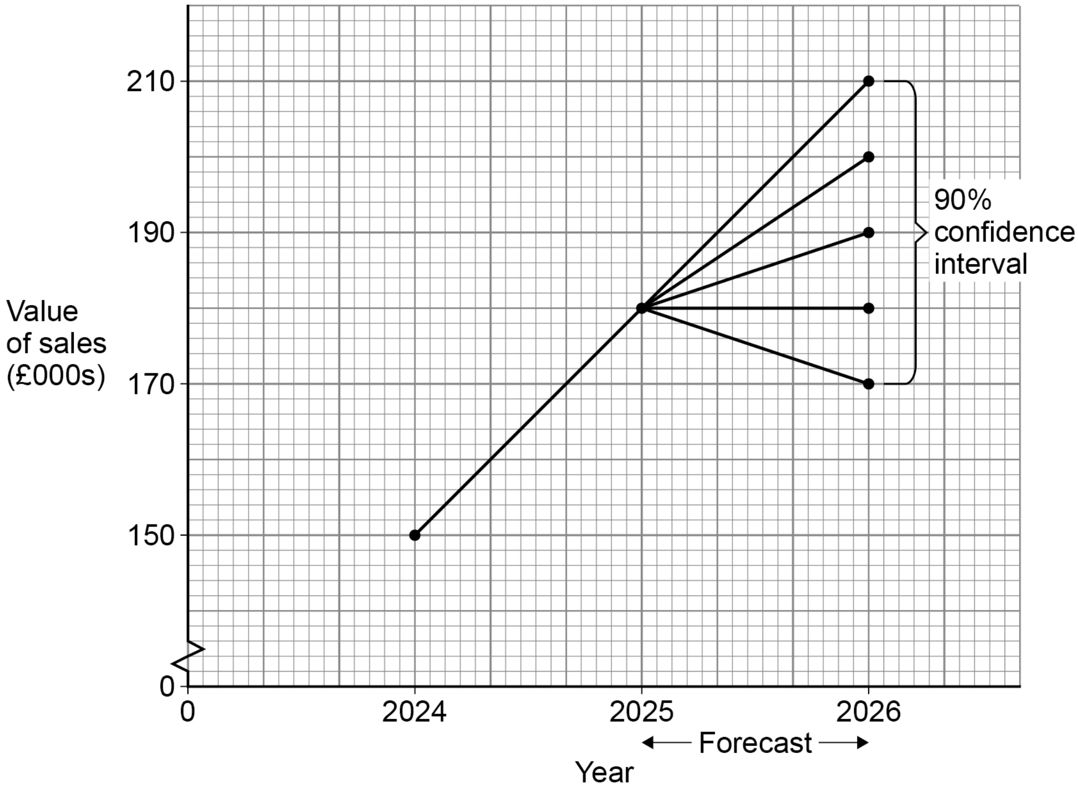
1 0 **Figure 2** shows a company's sales forecast for 2026.

Figure 2



Which of the following statements is **true**?

[1 mark]

A The probability that sales in 2026 will be between £170 000 and £210 000 is 90%. ⬭

B The probability that sales in 2026 will be greater than in 2025 is 90%. ⬭

C There is a 10% probability of sales in 2026 being lower than £170 000. ⬭

D There is a 90% probability of sales in 2026 being greater than £190 000. ⬭

10

Turn over for Section B

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Section B

Answer **all** questions in this section.

1 1 A business manufactures high volumes of cakes for a leading supermarket.

Explain **one** advantage for this business of using a system of quality assurance as a method of managing quality.

[3 marks]

3

1 2 The following data applied to a business in 2024.

Total contribution (£)	Fixed costs (£)	Sales (units)
168 000	127 200	350

Calculate the business' margin of safety for 2024.

[4 marks]

4

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1 3 A business wants to become more efficient.

Explain **one** impact on the efficiency of this business if it increased the span of control of its managers.

[4 marks]

4

1 4 The following data applies to a business on 31 December 2024 when it pays its annual dividend.

	£
Market capitalisation	23 552 000
Share price	9.20
Dividend per share	0.20

Calculate the value of the total dividend paid by the business on 31 December 2024.

[4 marks]

4

Turn over ►

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1 5 Analyse how an autocratic leadership style may be useful for a business that is growing quickly.

[5 marks]

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5

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Turn over for Section C

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Section C

Answer **all** questions in this section.

1 6

Ondata Bicycles Ltd

Ondata Bicycles Ltd manufactures high-performance bicycles that it sells in the UK through its own website and a network of 30 independent bike shops. Ondata Bicycles Ltd focuses on a niche market selling bicycles for cyclists who value a fast and lightweight product. Ondata Bicycles Ltd's operating profit margin is 40%. The income elasticity of demand for its high-performance bicycles is +3.

Ondata Bicycles Ltd sponsors a leading British cycling team. The company believes that positioning its products as being suitable for use in professional cycling races is an effective way of promoting the bicycles to its target market. Its bicycles sell for at least £3000 each.

Ondata Bicycles Ltd purchased its factory using a loan with a variable interest rate that was 3.5% when the loan was agreed. The amount still owed on the loan is currently £1.1 million and must be repaid in full by 2040. Capacity utilisation at the factory is 55%.

Incomes in the UK are expected to fall in the next couple of years. Ondata Bicycles Ltd is considering developing a lower priced range of bicycles to target the mass market. To reach its new target customers, Ondata Bicycles Ltd thinks it would need to sell these lower price bicycles through Bayes, the country's largest cycling retailer. Bayes has 400 stores and 25% market share of bicycle sales in the UK. Bayes would keep 50% of the selling price, in comparison to the 30% kept by the current independent stores used by Ondata Bicycles Ltd.

Table 1 Ondata Bicycles Ltd's forecast financial market data

	2026	**2027**	**2028**
Annual change in size of UK mass market for bicycles	+ 0.1%	+ 0.8%	+ 2.5%
Average selling price of a bicycle in the mass market (£)	545	523	507
Interest rate (%)	5.25	6.5	7.5

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1 6 . 1 Analyse how the interest rate changes forecast in **Table 1** are likely to affect Ondata Bicycles Ltd.

[9 marks]

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9

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16.2 Ondata Bicycles Ltd is considering entering the mass market with low price bicycles in addition to its current target market.

Do you think this would be a good decision?

Justify your answer.

[16 marks]

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1 7

Diggin' It garden care

Nita set up a gardening business, Diggin' It, in 2020. She now has 10 gardeners working full-time for the business. Nita employs her gardeners on permanent contracts, unlike most of her rivals. She pays competitive salaries and offers benefits such as paid annual holiday and sickness pay.

Nita's customers demand a variety of services, such as mowing lawns, weeding and advising on garden design. Nita provides regular training for her gardeners to learn new skills. Each gardener agrees the work to be done and the fee to be charged with the customers.

Each month, there is an award for the gardener with the highest customer satisfaction rating. Nita likes to visit each of her gardeners at work to meet with them face to face once a week to provide any support needed. Nita describes her team of gardeners as 'family' and is very proud that labour turnover at Diggin' It is low.

Nita would like to pay herself more. Her accountant has suggested a new approach to the business which he believes would increase its profits. Nita would need to change to a hard human resource management (HRM) approach. Gardeners would only be paid for the hours they actually work for a customer rather than an annual salary. They would not receive paid annual holiday and sickness pay.

The accountant has produced a forecast comparing the expected figures for Diggin' It in 2026 using the existing and new approach. These are shown in **Table 2**.

Table 2 Expected figures for Diggin' It's existing and new approach, 2026

	Existing approach	**New approach**
Sales revenue (£)	245 000	245 000
Total labour costs (£)	187 500	157 500
All other costs (£)	31 500	31 500
Labour turnover (%)	10	40
Customer satisfaction rating out of 100	92	70

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1 7 . 1 Using Herzberg's theory of motivation, analyse why labour turnover at Diggin' It is low.
[9 marks]

Extra space

9

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1 7 . 2 To what extent do you think Nita should adopt the new approach suggested by her accountant?

[16 marks]

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16

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