

Surname	Centre Number	Candidate Number
First name(s)		2



GCE A LEVEL

A510U10-1



WEDNESDAY, 25 MAY 2022 – AFTERNOON

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.	9
	3.	11
	4.	14
Section B	5.	10
	6.	8
	7.	14
	8.	10
Total	80	

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

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

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

Answer **all** questions.

Additional space is provided for some questions within the booklet (if required). If further space is required for any question, you should use the lined page(s) at the end of this booklet. The question number(s) should be clearly shown.

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. Entrepreneurs

Explain **two** reasons why entrepreneurs are important to the UK economy.

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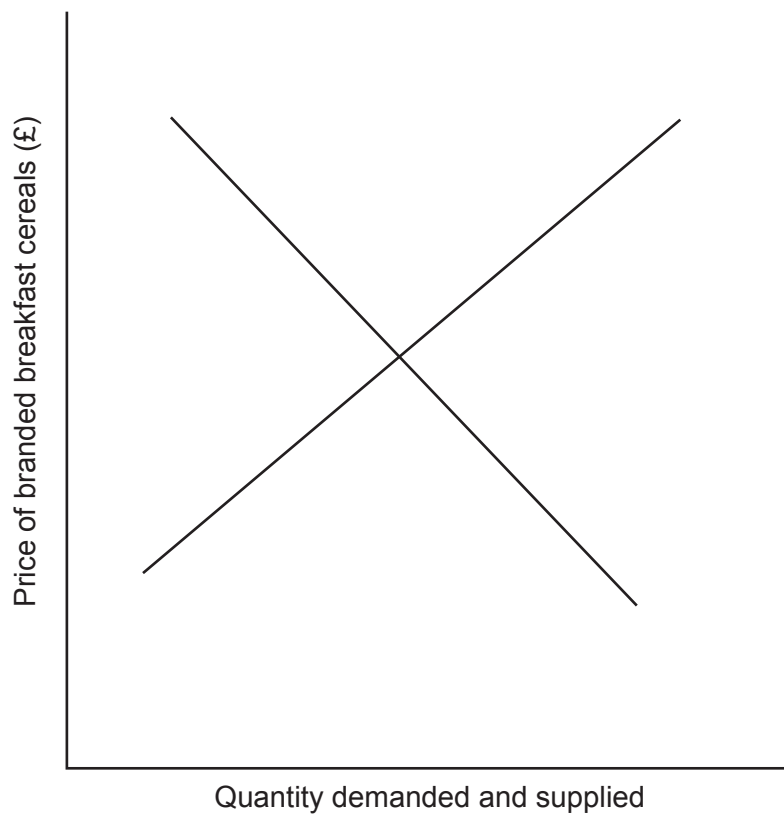


2. Demand and supply

Average household income in the UK has risen steadily resulting in some consumers making different purchases in their food shopping. This has had an impact on the market for the sale of branded breakfast cereals.

- (a) Complete and fully label the demand and supply diagram below to show the effect of rising incomes on the market for branded breakfast cereals. [3]

Demand and supply diagram for the branded breakfast cereals market



(b) Evaluate the extent to which changes in income can affect the demand for inferior goods.

[6]

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3. Sink or swim

Water Sports is a well-established business selling a range of sporting equipment for surfing, swimming and canoeing. It trades from a rented hut on a beach in a popular tourist destination on the Cornish coast. The business has faced increased competition and falling profits over the last three years.

In 2020, Water Sports made a net profit of £34 500 and its net profit margin was 4.8%. Below is an extract of Water Sports' 2021 profit and loss account (income statement).

	£
Revenue	130 000
Gross profit	72 450
Advertising	10 000
Labour	30 200
Maintenance	2 000
Rent	20 000

- Advertising is paid monthly.
- Rent is paid monthly in advance.
- Labour includes overtime paid to permanent staff in busy periods.
- Maintenance includes a monthly charge plus a charge per call out.

Using the information above:

- (a) Identify **one** example of a semi-variable cost. [1]

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- (b) Calculate the net profit for 2021. [2]

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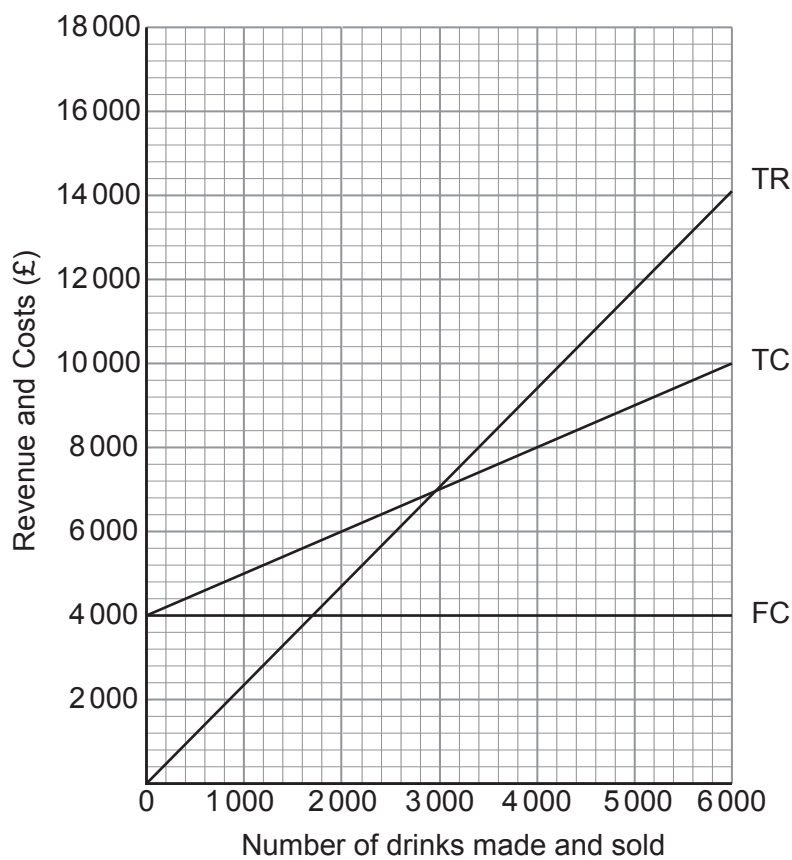
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4. Break-even at PB Coffee Shop

Paul and Baljit have owned PB Coffee Shop in Birmingham for just over three years. The average price of a drink in their coffee shop is £2.35 but they are considering increasing the average price to £3. Paul and Baljit sell an average of 6 000 drinks a month. They estimate that the number of drinks sold will remain the same when they increase the price. The owners estimate that fixed costs will rise by £1 000 per month due to hiring a part-time, salaried manager. All other costs, including variable costs of £1 per drink, are estimated to remain the same.

The break-even chart below shows the monthly total revenue, fixed costs and total costs of PB Coffee Shop before any changes Paul and Baljit are considering.



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6. Cash flow

Nisha has been running a gift shop for the last 2 years. She has produced the cash flow forecast below based on last year's trade.

	Nov	Dec	Jan	Feb	Mar	Apr
	£	£	£	£	£	£
Total cash inflows	6 500	7 500	6 000	5 500	5 000	5 000
Total cash outflows	7 500	8 850	6 825	6 400	6 725	6 225
Net cash flow	(1 000)	(i)	(825)	(900)	(1 725)	(1 225)
Opening balance	5 450	4 450	3 100	2 275	1 375	(350)
Closing balance	4 450	3 100	2 275	1 375	(350)	(ii)

(a) Calculate:

(i) Net cash flow for December.

[1]

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(ii) Closing balance for April.

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(b) Explain the potential limitations to a business of cash flow forecasting.

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7. Managing productivity at Tread Carefully

Tread Carefully is an established business that produces and supplies tyres to a variety of major vehicle manufacturers in the UK and Europe.

In 2019, the owners calculated the capacity utilisation of the business to be 84%. Production levels for 2020 have averaged 32 400 tyres a month. The maximum production capacity of the factory is 450 000 tyres a year.

Over the last three years, Tread Carefully has doubled its number of employees to 190 people. Recently, employees indicated their dissatisfaction with their managers about the lack of communication with them as the business has grown. Employees also feel that their views are not considered and their responsibilities are unclear.

The owners want to introduce **management by objectives (MBO)** as a method to improve their approach to setting targets for employees and to form part of its new staff appraisal system. The owners also want managers to be more aware of how they are managing their staff and have recently paid a consultant to deliver a session on improving performance, which included information on **McGregor's theory X and theory Y**.

- (a) (i) Calculate the capacity utilisation for 2020. [2]

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- (ii) Explain the impact of this change in capacity utilisation to Tread Carefully. [2]

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- (b) Describe McGregor's theory X and theory Y. [4]

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(c) Explain the advantages and disadvantages to Tread Carefully of using management by objectives (MBO). [6]

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Additional space for Question 8 only.

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