

Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

A-level BUSINESS

Paper 1 Business 1

Friday 24 May 2019

Morning

Time allowed: 2 hours

Materials

For this paper you must have:

- a calculator.

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions in **Section A** and **Section B**.
- Answer **one** question from **Section C** and **one** question from **Section D**.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- 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 100.

For Examiner's Use	
Question	Mark
Section A	
16	
17	
18	
19	
20	
21	
22	
23	
24	
TOTAL	



Section AAnswer **all** questions in this section.Only **one** answer per question is allowed.

For each answer 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: 'Debt factoring is usually a short-term source of finance.'
Statement 2: 'Bank overdrafts are usually a long-term source of finance.'**Read statements 1 and 2** and select the correct option from the following**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.☐**[1 mark]****0 2**

Penetration pricing is setting a price that is

A associated with products with high income elasticity of demand.☐**B** intended to maximise the profit margin on each product.☐**C** often used when demand is price elastic.☐**D** often used in markets with high seller power.☐**[1 mark]**

0 3

A business replaces some of its workforce with machinery. This leads to a 10% increase in capacity and output and a 5% increase in unit costs. This is an example of

- A more capital intensive production and economies of scale.
- B more capital intensive production and diseconomies of scale.
- C more labour intensive production and economies of scale.
- D more labour intensive production and diseconomies of scale.

☐☐☐☐

[1 mark]

0 4

A good has a negative income elasticity of demand and a negative price elasticity of demand.

Statement 1: 'Other things being equal, a fall in consumer incomes must lead to a fall in sales volume for this good.'

Statement 2: 'Other things being equal, a fall in price must lead to a rise in sales value for this good.'

Read statements 1 and 2 and select the correct option from the following

- 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.

☐☐☐☐

[1 mark]

Turn over for the next question

Turn over ►



0 5

The table below provides data on a business.

	2017	2018
Number of employees	25	20
Labour turnover (%)	20	10
Total units of output	500	420

Statement 1: 'This business had a higher labour retention rate in 2018 than 2017.'

Statement 2: 'This business had higher labour productivity in 2018 than 2017.'

Read statements 1 and 2 and select the correct option from the following

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.

☐

[1 mark]

0 6

The culture of a business changes from an emphasis on decisions being made by the original owner, to a culture in which there are stated rules and each worker has defined responsibilities.

According to Handy, this is a change in culture from

A person to role.

☐

B person to task.

☐

C power to role.

☐

D power to task.

☐

[1 mark]



0 7

Strategic drift occurs when a business

- A** implements a plan that has been designed to cope with unexpected and unwelcome changes.
- B** introduces a previously unplanned strategy in response to external changes.
- C** introduces a previously unplanned strategy in response to internal changes.
- D** maintains a strategy that is no longer suited to current circumstances.

☐☐☐☐**[1 mark]****0 8**

Statement 1: 'According to Ansoff, market penetration involves selling an existing product in a new market.'

Statement 2: 'According to Ansoff, diversification can be either developing a new product or entering a new market.'

Read statements 1 and 2 and select the correct option from the following

- 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.

☐☐☐☐**[1 mark]****0 9**

Decreasing government subsidies on a country's agriculture would be

- A** fiscal policy which encourages more open trade.
- B** fiscal policy which increases protectionism.
- C** monetary policy which encourages more open trade.
- D** monetary policy which increases protectionism.

☐☐☐☐**[1 mark]****Turn over ►**

1 0

Which one of these strategies from Bowman's strategic clock is most likely to be a successful long-term strategy?

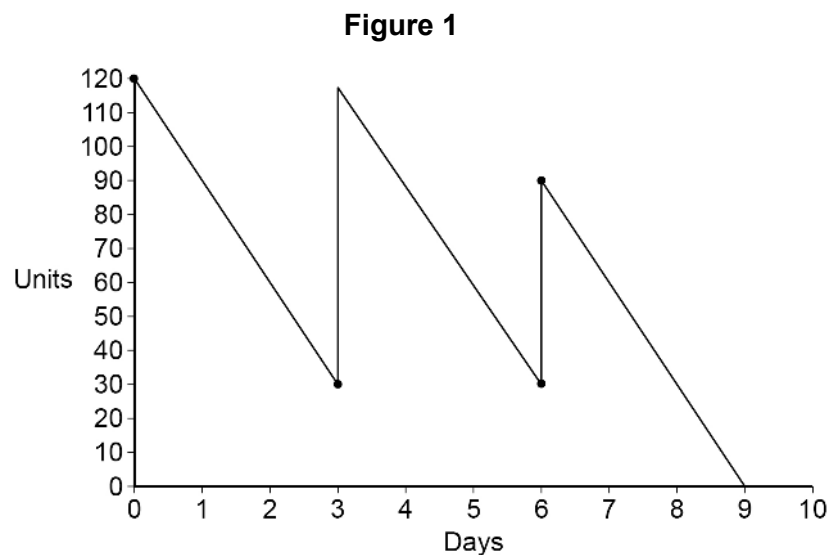
- A** High price and low added value
- B** High price and standard added value
- C** Low price and low added value
- D** Standard price and low added value

☐☐☐☐

[1 mark]

1 1

Figure 1 shows the inventory levels of a component held by a business over a period of nine days.



The business has a reorder quantity of 90 units and a lead time for orders of 2 days. On which day was an incorrect quantity ordered?

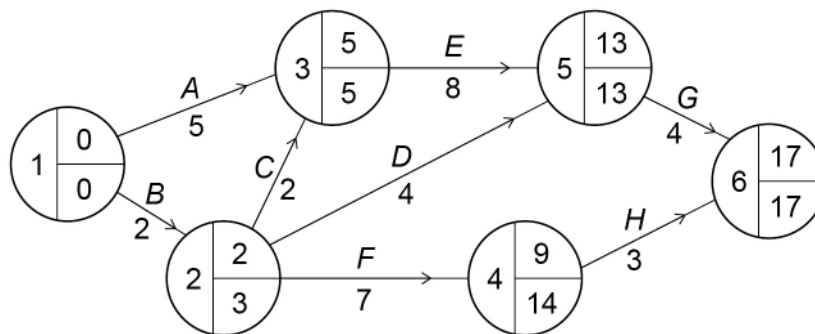
- A** Day 3.
- B** Day 4.
- C** Day 5.
- D** Day 6.

☐☐☐☐

[1 mark]



Figure 2



1 2

Based on the network shown in **Figure 2**, the total float time for activity D is

A 2 days

☐

B 6 days

☐

C 7 days

☐

D 9 days

☐

[1 mark]

1 3

Based on the network shown in **Figure 2**, if activity B is delayed by 6 days the duration of the critical path

A does not change.

☐

B increases by 1 day.

☐

C increases by 5 days.

☐

D increases by 6 days.

☐

[1 mark]

Turn over ►



1 4

Which one of the following methods of payment to employees would **not** be seen as a method of financial motivation by Taylor?

A Commission

☐

B Performance-related pay

☐

C Piece rate

☐

D Salary

☐

[1 mark]

1 5

A to D (below) apply to the market leader of a particular industry. Which **one** of these is **not** a barrier to entry for a business seeking to enter this industry?

The market leader

A is vertically integrated with its suppliers.

☐

B experiences diseconomies of scale.

☐

C has high brand loyalty.

☐

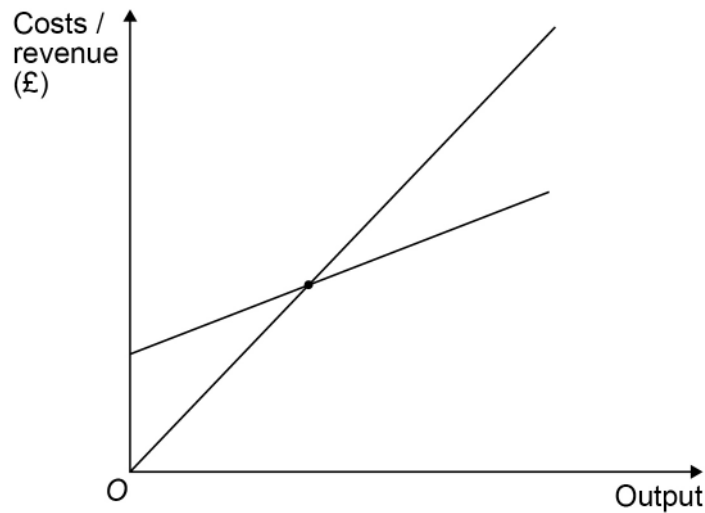
D owns a patent.

☐

[1 mark]

15



Section BAnswer **all** questions in this section.**1 6****Figure 3** shows a break-even chart.**Figure 3** Break-even chart

Two changes take place:

- there is a fall in the cost of raw materials
- the business increases the selling price of the product.

Draw **two** new lines on **Figure 3** to show how these changes might affect the break-even chart.Label the new total revenue line **TR** and label the new total cost line **TC**.**[4 marks]**

4

Turn over for the next question**Turn over ►**

1	7
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A business has non-current liabilities of £200 000 and a gearing ratio of 40%. It then takes out a long-term loan of £100 000 from the bank.

Calculate its new gearing ratio after taking out this bank loan.

[4 marks]

4



[illegible]

9



[9 marks]

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[illegible]

[9 marks]

[illegible]

[illegible]

Answer **either** Question 21 **or** Question 22.

Question

2	1	○
---	---	---

Question

2	2	
---	---	---

CORRECT METHOD 

WRONG METHODS    

2	1	Online sales have grown significantly in recent years.
---	---	--

To what extent has this led to distribution (place) decisions becoming a more important element of an effective marketing mix?

[25 marks]

OR

2 2 A competitive advantage can be achieved through low-cost or through differentiation.

Which of these types of competitive advantage is it easier for a UK business to maintain? Justify your view.

[25 marks]

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Answer **either** Question 23 **or** Question 24.

Question

2	3	
---	---	---

Question

2	4	
---	---	---

CORRECT METHOD

WRONG METHODS

2	3
---	---

More businesses are now using broad measures of overall business performance, such as Kaplan & Norton's Balanced Scorecard and Elkington's Triple Bottom Line, rather than focusing solely on financial ratio analysis.

To what extent does this mean that financial ratio analysis is no longer important to a business?

[25 marks]

OR

2	4
---	---

A business plans to improve its flexibility through mass customisation. Is it inevitable that improved flexibility will worsen other measures of its operational performance?

Justify your view.

[25 marks]

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[illegible]

Do not write
outside the
box

Extra space

Turn over ►



[illegible]

[illegible]

[illegible]

25

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