



Please write clearly in block capitals.

Centre number

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# AS BUSINESS

Paper 1 Business 1

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Thursday 19 May 2016      Afternoon      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 boxes 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.
- 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.





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**Section A**Answer **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**

Which one of the following does not vary with output in the short-run?

- A** Total revenue
- B** Total costs
- C** Fixed costs
- D** Variable costs

**[1 mark]****0 2**

Market capitalisation is the total value of a company's:

- A** assets
- B** dividends paid to shareholders
- C** shares, based on the current share price
- D** shares, based on the original share price

**[1 mark]**

**0 3**

The 7 'P's of the marketing mix include:

- A process
- B positioning
- C productivity
- D primary market research

**[1 mark]****0 4**

A factory produces 120 units with a workforce of 10 employees. The number of employees stays the same but output increases by 20% and costs of production increase by 25%. This means that:

- A labour productivity rises and unit costs rise
- B labour productivity rises and unit costs fall
- C labour productivity falls and unit costs rise
- D labour productivity falls and unit costs fall

**[1 mark]****0 5**

According to Maslow's hierarchy of needs, which one of the following statements is true.

- A Social needs must be satisfied before security/safety needs can be used to motivate employees.
- B Self-actualisation must be reached before physiological needs can be used to motivate employees.
- C Esteem/ego needs must be satisfied before self-actualisation needs can be used to motivate employees.
- D Security/safety needs must be satisfied before physiological needs can be used to motivate employees.

**[1 mark]**

**0 6**

The data below refers to a particular good:

- output = 200 units
- selling price = £7.25
- fixed costs = £500
- contribution per unit = £3

The variable cost per unit is:

- A** £2.50
- B** £4.25
- C** £4.50
- D** £4.75

**[1 mark]****0 7**

Public limited companies **usually** pay ordinary shareholders their share of the profits in the form of:

- A** inventory
- B** dividends
- C** fixed interest payments
- D** retained profits

**[1 mark]****0 8**

Payables are the value of:

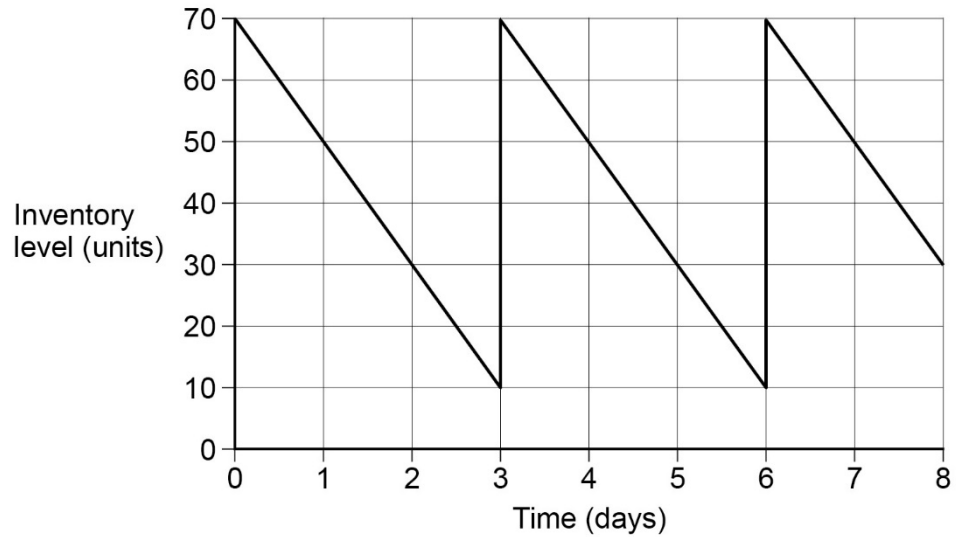
- A** a firm's overdraft from its bank
- B** inventory held by a business
- C** money owed to a firm by customers
- D** money owed to suppliers by a business

**[1 mark]**

**0 9**

The figure below shows an inventory control chart for boxes of apples held by a supermarket.

The lead time for the delivery of inventory is one day.  
What is the re-order level?



- A** 70 units  
**B** 60 units  
**C** 30 units  
**D** 10 units

**[1 mark]****1 0**

A 'hard' approach to human resource management would:

- A** focus on the most efficient use of capital equipment  
**B** treat employees as a resource to be used as efficiently as possible  
**C** view workers as a valuable asset to be developed  
**D** focus solely on better recruitment methods to improve employee engagement.

**[1 mark]**

**Section B**Answer **all** questions in this section.**1 1**

A business is planning to invest in a new machine which will cost £220 000. The machine will lead to an annual increase in revenue of £75 000. It will also lead to extra labour costs of £28 000 per annum but will reduce the firm's energy costs by £4 000 a year. Calculate the percentage return on investment per annum from the new machine.

**[4 marks]**

Percentage return per annum \_\_\_\_\_

Workings \_\_\_\_\_

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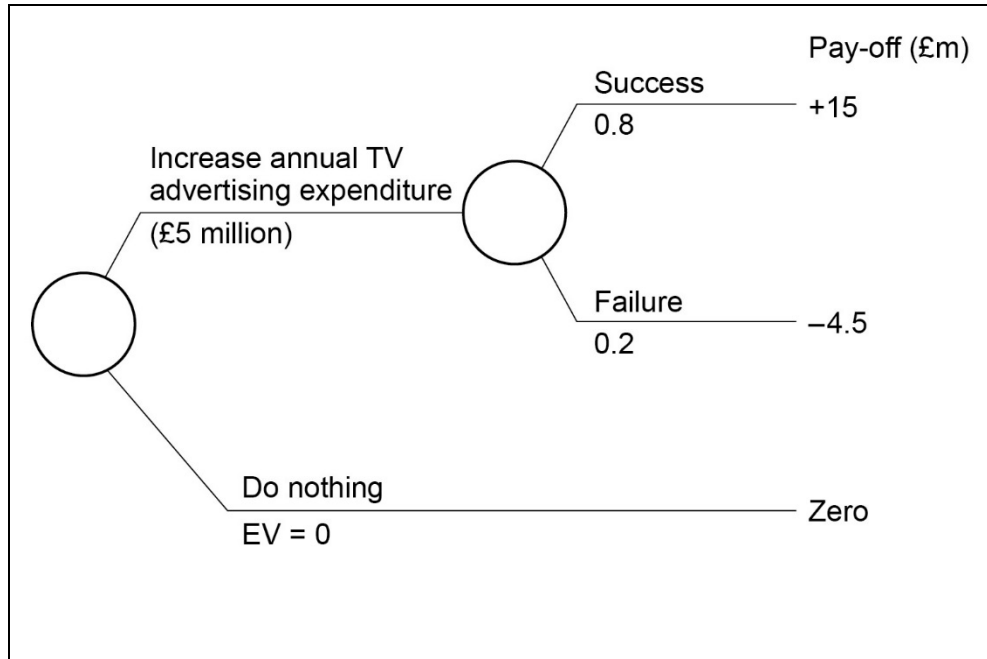
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**1 2**

A business is deciding whether or not to increase its annual expenditure on TV advertising.  
Referring to **Figure 1** below, use calculations to advise the business on whether or not it should increase its annual TV advertising expenditure.

**Figure 1** Decision Tree



**[5 marks]**

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**Turn over ▶**

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The Blake Mouton grid uses the term 'Country Club Manager' or 'Accommodating Manager' for a particular style of management and leadership. Explain whether this style of management is likely to be suitable for a business that is looking to increase productivity.

[5 marks]

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1 4

Explain how debt factoring might benefit a retailer that offers long-term credit to its customers.

**[6 marks]**

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**Turn over for Section C**

**Turn over ►**



**Section C**

Answer **all** questions in this section.

1	5
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**Halfords**

Halfords is a leading retailer in the UK. Although it provides a wide range of car accessories, its main specialism is selling cycling products. It has a market share of nearly 25% of the sale of bicycles and a 15% share of the market in bicycle accessories in the UK.

Halfords has modified its business approach in recent years by:

- broadening its operations. It now offers a wide range of car accessories such as headlight bulbs, bicycling accessories such as seats and helmets, and bicycles. For example, since 2007 Halfords has increased its range of bicycles from 200 to 283 different types.
- improving its supply chain. This means Halfords is able to provide more reliable and flexible deliveries, with 90% of orders delivered to its stores within 90 minutes. Halfords' 465 retail outlets are within a 20-minute drive of 90% of the UK population, a factor that has boosted online sales, as most of its customers choose to collect online items from their nearest store. Its combination of stores and online sales ensures that Halfords covers the whole of the UK market.
- introducing a fitting service. 35% of Halfords' customers now pay for their bulbs, blades or batteries to be fitted when they buy them, which generates a high profit margin for the company.

The company has also invested more in its staff training programme to improve employees' skills and productivity. For example, with more training staff should be able to fit a wider range of products more quickly and provide a better quality of service. This investment in training has increased staff costs as a percentage of total costs. However, the company's efforts to increase labour productivity and capacity utilisation should help Halfords to achieve lower unit costs overall. Halfords has a reputation for competitive prices and so tries hard to keep prices low by reducing costs where it can.

Halfords is expecting the modifications that it has made to its business approach to boost its profitability.



**1 5** . **1** Analyse how its marketing decisions might have helped Halfords to achieve its high market share in the bicycle and bicycle accessories markets.

**[9 marks]**

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**1 5** . **2** Halfords has modified its business approach and is expecting to achieve higher profitability as a result. Do you believe that Halfords' operations management decisions are more likely to increase its profitability than its staff training programme? Justify your view.

**[16 marks]**

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**Turn over for the next question**

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ANSWER IN THE SPACES PROVIDED**



1 6

### Thomas Cook

Thomas Cook is a leading travel agent in the UK. Customers can book holidays through its high street stores or online. The performance of the company has been said to be poor by some analysts recently; for example, it has high debts and has made disappointing profits. Competition is strong and the market is changing rapidly with customers wanting more individual holidays and being more likely to book online. To respond to its difficult trading period Thomas Cook is making a number of changes that will have a significant impact on its human resource flow.

The company has announced that it will be closing 195 of its 1069 stores, because over 40% of its existing stores are unprofitable. It will still have the largest number of outlets of any travel agent in the UK. About 2500 employees are to be made redundant and remaining staff will have changes made to their terms and conditions of employment, including future limitations on redundancy payments. Also, if staff are asked to work additional hours, overtime pay will be replaced by time off to compensate.

In addition, there will be a redeployment of some staff with retraining to help them undertake new roles. 683 branch managers will be replaced by 236 'cluster' managers who would each be responsible for two or three stores, giving greater responsibility to each store's assistant manager.

These changes to the human resource flow have caused concern amongst some staff. Trade unions have complained about the dangers of staff being overloaded and believe the customer experience will not be as good as before. Some analysts worry about the long term impact of the redundancies.

Meanwhile Thomas Cook is using market segmentation to enable it to target its marketing activities. A key aspect of Thomas Cook's marketing decision-making is its decision to focus on offering four specific types of hotels for its customers. These are:

- Sunwing Family Resorts - premium quality family resorts with excellent facilities for children and families, free wi-fi and free meals for children under-12
- Sentido hotels and resorts - premium quality resorts and hotels with a focus on comfort, regional foods and a range of activities
- Sunprime - adult-only resorts featuring bars, entertainments, spas and fitness facilities
- Smartline - low-budget hotels with a swimming pool, bar and free wi-fi. These hotels are aimed at young travellers seeking value for money.

**AQA would wish to clarify that the information used in this case study about Thomas Cook was from 2013 and does not reflect their current circumstances or plans**







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**1 6** . **2**

To what extent do you think that the changes Thomas Cook is making to its human resource flow are likely to improve the performance of the business?

**[16 marks]**

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**END OF QUESTIONS**

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