

Surname	Centre Number	Candidate Number
Other Names		2



**GCE A LEVEL**

A510U10-1



**BUSINESS – A level component 1  
Business Opportunities and Functions**

THURSDAY, 7 JUNE 2018 – AFTERNOON

2 hours 15 minutes

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
Section A	1.	3
	2.	6
	3.	9
	4.	9
Section B	5.	7
	6.	12
	7.	8
	8.	14
	9.	12
<b>Total</b>	<b>80</b>	

**ADDITIONAL MATERIALS**

A calculator.

**INSTRUCTIONS TO CANDIDATES**

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.

Answer **all** questions.

Write your answers in the spaces provided in this booklet. If you run out of space, use the continuation pages at the back of the booklet, taking care to number the question(s) correctly.

**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. Give **one** example of a business using batch production and describe **two** benefits of this method of production. [3]

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- 2. (a) Outline the meaning of the term **external economies of scale**. [2]

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- (b) Suggest **two** ways in which an IT company can benefit from external economies of scale. [4]

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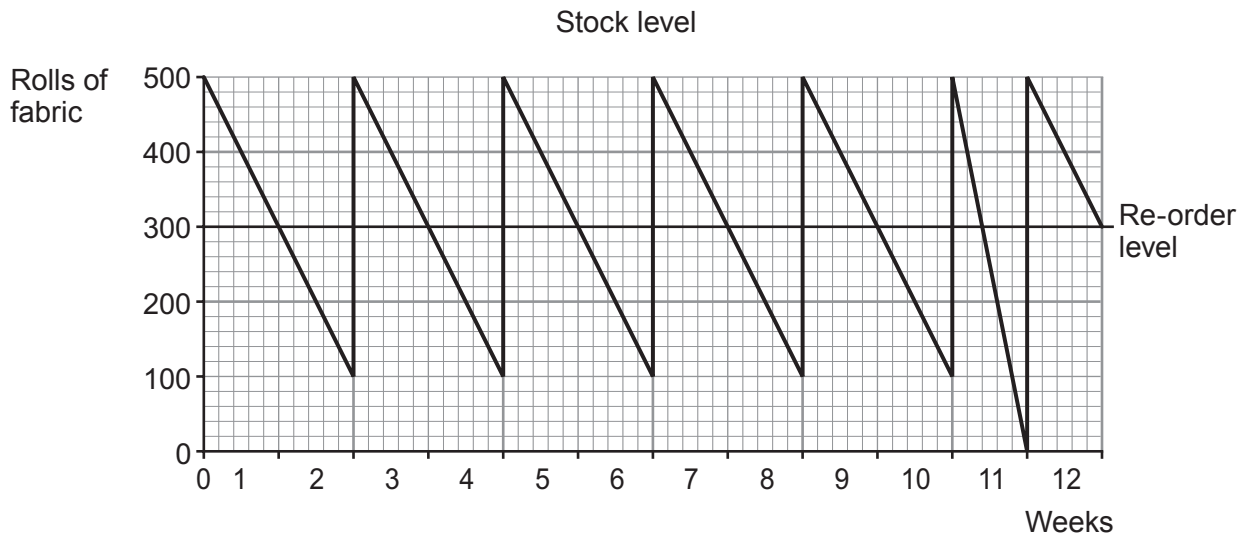
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3. Geoff Matthews is the production director of Twinkly Toys Ltd. The company manufactures toys based on children’s TV characters. Most of the toys are sold as presents for children at Christmas time.

It is part of Geoff’s job to make sure that the factory has sufficient supplies of the fleecy fabric that is used to produce the toys. The fabric is quite delicate and needs to be stored and handled carefully.

The stock control diagram below shows the pattern of the company’s stockholding for the last twelve weeks.



(a) Use the diagram to:

(i) state the lead time [1]

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(ii) identify the minimum stock level [1]

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(iii) calculate the reorder quantity in weeks 1 to 10 [1]

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(b) With reference to the diagram, explain what happened during week 11 and explain its possible cause. [2]

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(c) Explain why it is important for Twinkly Toys to carefully control its stock. [4]

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4. A few years ago Ella James started her business making organic soups in her own kitchen which she sold to friends and neighbours. As the business grew she started to sell her soups to local shops and she has now reached the stage where she can no longer manage in her own kitchen and she needs to move into a purpose built factory. When she moves she intends to employ two people to help her, even though she still intends to operate as a sole trader.

Ella has retained some profit from previous years but will need to raise some additional finance in order to purchase the factory and the new machinery that she requires.

(a) Identify one source of finance that would be suitable for Ella's business and one source of finance that would **not** be suitable, stating the reason why in each case. [4]

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Ella has calculated that her monthly fixed costs will be £1800. She sells her soup for £1.15 a carton.

The variable costs per carton are:

raw materials      45p  
labour                20p

(b) Calculate her breakeven output per month (show your workings). [2]

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Ella estimates her annual sales for next year will be 50 000 cartons of soup.

(c) Calculate her estimated profit or loss for next year. [3]

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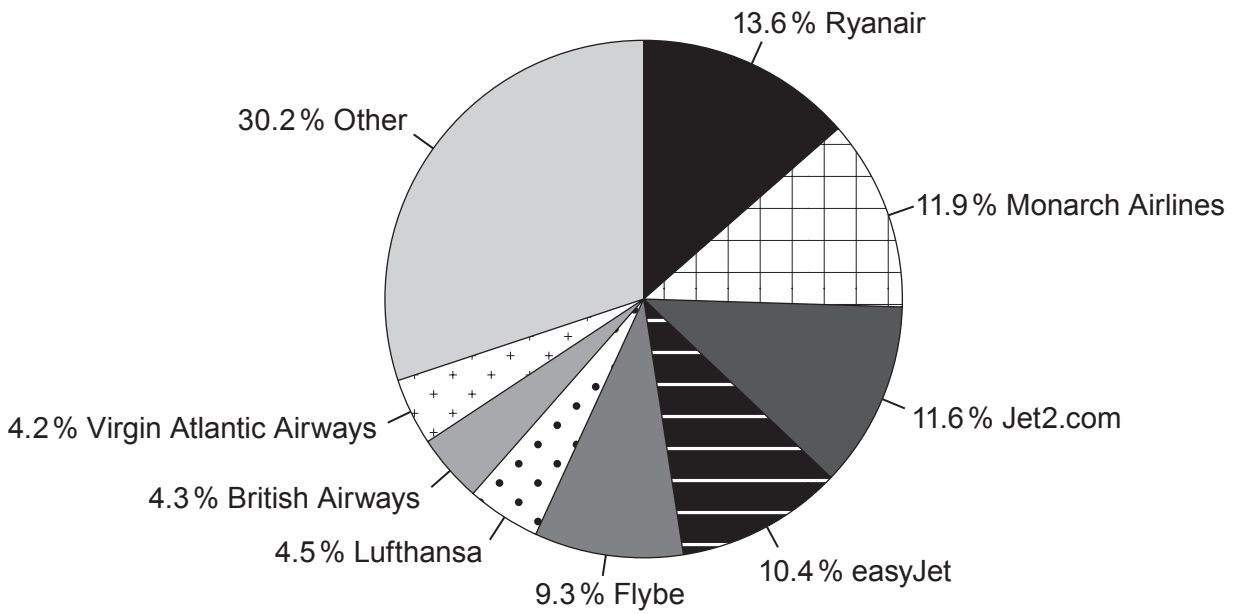
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6. The airline industry has been described as an oligopoly. The chart below gives details of the market share of the top European airlines.



Source: IATA

(a) With reference to the information in the chart, describe the main features of an oligopoly. [4]

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8. Polo mints were first manufactured in the United Kingdom in 1948 at the Rowntree’s factory, in York. The brand is now owned by Nestlé. Polos have had an exceptionally long life cycle which has resulted in a consistent flow of cash over the years.



- (a) With the aid of a diagram, describe the relationship between a product’s life cycle and its cash flow. [4]

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