Surname	Centre Number	Candidate Number
Other Names		2

GCE A LEVEL

A510U10-1

S19-A510U10-1

BUSINESS – A level component 1
Business Opportunities and Functions

FRIDAY, 24 MAY 2019 – MORNING

2 hours 15 minutes

	For Examiner's use only		
	Question	**Maximum Mark**	**Mark Awarded**
Section A	**1.**	**16**	
	2.	**15**	
	3.	**5**	
Section B	**4.**	**8**	
	5.	**14**	
	6.	**10**	
	7.	**12**	
	Total	**80**	

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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 additional page(s) 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. Relax to the Max

Max obtained a qualification in massage therapy in 2013. Since then he has been working at several local health and beauty salons in his home city of Birmingham. Max has always wanted to be an **entrepreneur**. In 2017, he set up Relax to the Max, using £5 000 of his own savings. Max felt that the salons he had worked at lacked a personal touch with clients: massage oils were rarely blended to the clients' preferences and needs and there was often a focus on attracting female clients. Max felt there was a gap in the market.

Max has been running Relax to the Max successfully for just over two years, working on average an extra 20 hours a week compared to when he was working in other salons. Max rents a small shop located on a busy high street where there is plenty of free parking for clients. Max has attracted some clients from his local competitors, who found out that Max was offering more tailored treatments and a discount for loyal customers. Max promotes his services by distributing leaflets to houses in the local area.

(a) Define the term *entrepreneur.* [2]

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(b) Using the information above, describe **two** ways in which Max demonstrates the characteristics of a typical entrepreneur. [4]

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(c) To what extent do you agree that Max's decision to locate his shop on a busy high street was the main factor in running a successful business? [10]

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2. Jacob's Hats

Jacob owns a business that manufactures hats and sells them to sports retailers. Jacob has received feedback from some of the retailers that their customers would like to buy waterproof hats. Jacob does not currently manufacture waterproof hats and would need to undertake research and development (R&D) in order to find out whether he would be able to make them.

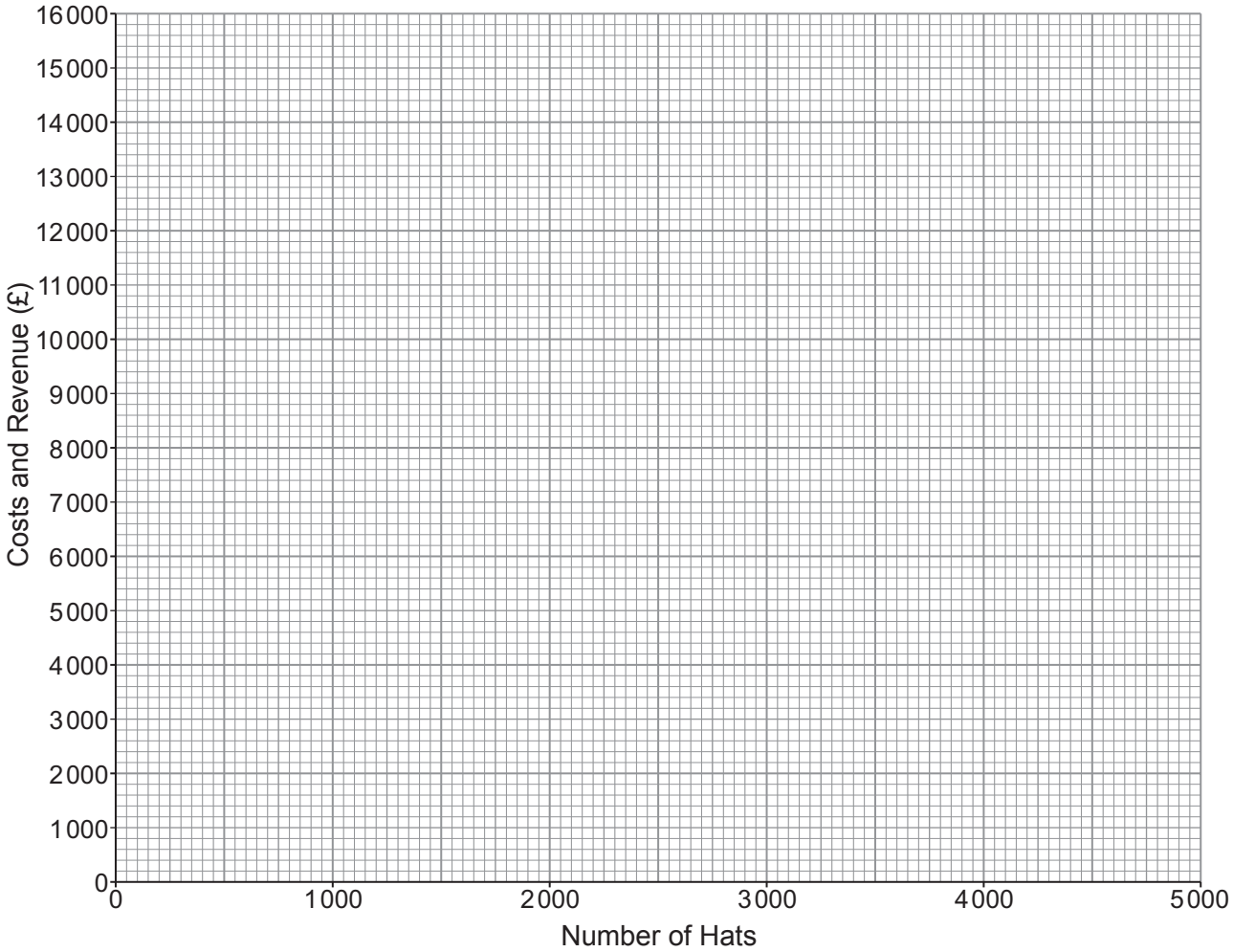
The following information relates to Jacob's business:

Fixed costs	£4 000
Variable costs per hat	£1.75
Selling price per hat	£3
Number of hats sold	5 000

(a) Using the information above:

(i) Construct and fully label a break-even chart on the graph paper provided. [3]

Jacob's Hats Break-even Chart



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(ii) Calculate how many hats Jacob needs to sell to break-even. [1]

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(iii) Calculate the margin of safety. [1]

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(b) What is meant by the term added value? [2]

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(c) Discuss the benefits of R&D to businesses such as Jacob's Hats. [8]

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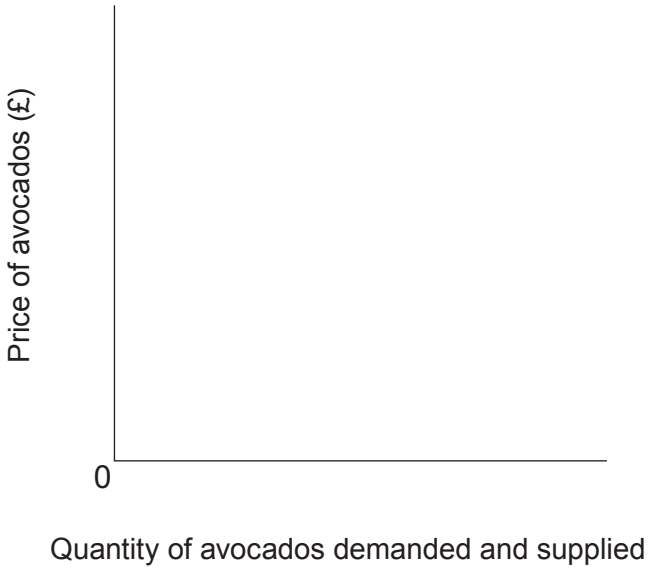
3. Problems in the avocado market

In 2017, a drought in California in the US, a flood in Peru and a poor harvest in Mexico affected the quantity of avocados available in the UK.

(a) Complete the demand and supply diagram below by drawing and labelling:

(i) Demand [1]
(ii) Supply [1]

Demand and supply diagram for the avocado market



(b) Using the information above, adapt the demand and supply diagram in order to demonstrate the change in the avocado market. [1]

(c) With reference to the diagram, describe what has happened to the equilibrium price and equilibrium quantity demanded. [2]

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SECTION B

4. Sandra's Electrical Business

Sandra has been operating her business selling electrical parts for two years. She buys her goods directly from a variety of manufacturers and stocks them in her three stores, which are all located on industrial estates. Below are Sandra's income statements for the last two years:

	2017 (£)	**2018 (£)**
Sales revenue (turnover)	130 500	133 000
Cost of sales	57 950	58 550
Gross profit	72 550	74 450
Expenses (overheads)	33 300	(i)
Net profit	(ii)	40 575

(a) Calculate the following:

(i) Expenses (overheads) for 2018 [1]

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(ii) Net profit for 2017 [1]

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(b) With reference to the data, analyse **two** ways in which Sandra could increase her net profit. [6]

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5 . Recruitment and training at Abercrombie & Fitch

Fashion label Abercrombie & Fitch (A&F), owner of fashion brand Hollister, runs a programme called Manager in Training (MIT) for which current employees of the organisation may apply. The programme is ten weeks long and involves trainees in all aspects of running an A&F store, including Hollister stores. Trainees of the MIT programme learn through **on-the-job training**, which includes aspects such as how to:

- create the best in-store experience for customers
- recruit new staff
- manage human resources
- manage store operations.

MIT participants are required to complete assessments and meet with senior staff on a weekly basis to discuss progress and set targets. Successful MIT participants can progress to become store managers upon completion of the intensive programme.

Source: http://www.anfcareers.com/page/manager_in_training

(a) Describe the term *on-the-job training*. [2]

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(b) With reference to A&F, describe **two** benefits of using on-the-job training methods to train employees. [4]

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(c) Evaluate the importance of an effective recruitment process to businesses such as A&F. [8]

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6. Digging around for cash

Down2Earth Ltd is a gardening and landscaping business that operates across the south of England. Its three founding directors started the company in 2013 and now employ over 20 staff in a variety of roles. The company lease the property and land they use. The company has enjoyed success since it started and has made a profit each year. The directors have agreed that they would like to expand the company over the next 12 months. The directors are unsure whether to use **internal** or **external** sources of finance for the expansion, which is estimated to cost £40 000. The money will be used to fund more gardening equipment and a new van, which will add to the company's current fleet of four vehicles.

(a) Describe, with the use of examples, what is meant by *internal and external* sources of finance. [4]

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(b) Consider **two** appropriate sources of finance for Down2Earth Ltd's expansion plans and advise which one would be most appropriate. [6]

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7. Delayering at Wilko

In 2017, high street homeware and household goods chain Wilko warned some of its employees that they could lose their jobs through **delayering**. The aim of the restructuring programme is to create a **flatter organisational structure**. The futures of 3 900 supervisors and assistant managers were being considered as part of the restructure, which could lead to their redundancy. However, around 1 000 staff would be able to take on a newly created role as senior supervisor.

(a) What is meant by the term *delayering*? [2]

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(b) Moving to a *flatter organisational structure* will benefit all stakeholders. Discuss. [10]

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END OF PAPER

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