

Candidate forename						Candidate surname					
Centre number						Candidate number					

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
AS GCE
F242/01
APPLIED BUSINESS

Understanding the Business Environment

MONDAY 14 MAY 2012: Afternoon
DURATION: 1 hour 30 minutes
plus your additional time allowance

MODIFIED ENLARGED

Candidates answer on the Question Paper.

OCR SUPPLIED MATERIALS:

Clean copy Case Study
Separate Data Booklet

OTHER MATERIALS REQUIRED:

Calculator

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

- **Write your name, centre number and candidate number in the boxes on the first page. Please write clearly and in capital letters.**
- **Use black ink. HB pencil may be used for graphs and diagrams only.**
- **Answer ALL the questions.**
- **Read each question carefully. Make sure you know what you have to do before starting your answer.**
- **Write your answer to each question in the space provided. Additional paper may be used if necessary but you must clearly show your candidate number, centre number and question number(s).**

INFORMATION FOR CANDIDATES

- **The number of marks is given in brackets [] at the end of each question or part question.**
- **The total number of marks for this paper is 100.**
- **Your Quality of Written Communication will be assessed in questions marked with an asterisk (*).**

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- 1 (a) Nina is allocating a substantial budget to IT in ***OrganicCherubs.com's*** new factory in Mumbai.

Identify and explain TWO methods through which IT could help Nina communicate effectively with ***OrganicCherubs.com's*** employees in Mumbai.

Method 1: _____

Explanation: _____

Method 2: _____

Explanation: _____

_____ [4]

- (b) Besides allocating a budget of £100 000 for capital investment in IT hardware and software, identify FOUR other related costs which Nina needs to consider when introducing the use of IT to *OrganicCherubs.com's* new factory in Mumbai.

Item 1: _____

Item 2: _____

Item 3: _____

Item 4: _____

_____ [4]

- 2 (a) Identify and explain TWO external influences which could have an impact on the accuracy of *OrganicCherubs.com's* budgets.

External influence 1: _____

Explanation: _____

External influence 2: _____

Explanation: _____

_____ [4]

(b) Evaluate possible consequences to *OrganicCherubs.com*'s new factory in Mumbai if the budgets Nina sets are unrealistic.

[illegible]

[illegible]

[illegible]

[Total for Question 1 and 2: 24 marks]

- 3 (a) Identify TWO reasons why a business such as *OrganicCherubs.com* should carry out variance analysis.

Reason 1: _____

Reason 2: _____

_____ [2]

- (b) Sterling (GBP) has weakened against the Indian rupee. Sterling is now worth 10% less than it was when Nina worked out the original budgets for the new factory in Mumbai.

Given that the cost of the factory (25 000 square metres) was £16 per square metre, calculate the original budget for the factory, the new budget and the variance. State whether the variance is adverse or favourable. Show your workings. [4]

ORIGINAL BUDGET (£)
NEW BUDGET (£)
VARIANCE (£)
ADVERSE/FAVOURABLE

[Total for Question 3: 6 marks]

4 (a) Identify the FIVE elements in a SLEPT analysis.

S _____

L _____

E _____

P _____

T _____ [5]

(b) Evaluate which element in a SLEPT analysis is likely to have the most significant impact on the success of *OrganicCherubs.com's* new factory in Mumbai.

[illegible]

[illegible]

[illegible]

[12]

[Total for Question 4: 17 marks]

5 (a) What is meant by the term 'break-even'?

[2]

- (b) The costs of running *OrganicCherubs.com*'s new factory in Mumbai per month are as follows:

Loan repayment	£ 5 000
Wages and salaries	£90 000
Insurance	£ 400
Maintenance	£ 200
Heating and lighting	£ 180
Raw materials	£2 per nappy

Calculate the break-even quantity if the average selling price per nappy is £4.

Show your working:

Break-even quantity = _____ nappies per month

[3]

- (c) Calculate the profit which *OrganicCherubs.com* should make in the first month if it sells 50 000 nappies.

Show your working:

Profit = £ _____

[3]

(d) Identify and explain TWO ways in which a business such as *OrganicCherubs.com* could lower its break-even quantity.

Way 1: _____

Explanation: _____

Way 2: _____

Explanation: _____

_____ [4]

[Total for Question 5: 12 marks]

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- 6 (a) Identify and explain TWO reasons why a business such as *OrganicCherubs.com* should draw up a cash-flow forecast before setting up a new venture such as the new factory in Mumbai.

Reason 1: _____

Explanation: _____

Reason 2: _____

Explanation: _____

_____ [4]

- (b) Using the information below, complete the unshaded boxes on the opposite page in the cash-flow forecast which follows for the new factory in Mumbai if the estimated sales for the first month of operation are 50 000 nappies and the production rate is scheduled at 80 000 nappies. [6]

Loan repayment	£ 5 000
Wages and salaries	£90 000
Insurance	£ 400
Maintenance	£ 200
Heating and lighting	£ 180
Raw materials	£2 per nappy
Average selling price	£4 per nappy

CASH INFLOW	
Sales	
TOTAL INFLOW	
CASH OUTFLOW	
Loan repayment	
Wages and salaries	
Insurance	
Maintenance	
Heating and lighting	
Raw materials	
TOTAL OUTFLOW	
NET CASH-FLOW	
OPENING BALANCE	–15 000
CLOSING BALANCE	

[Total for Question 6: 10 marks]

[illegible]

[illegible]

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There is no text or other markings on the paper.

- 8 (a) 'It is a constant balancing act between maximising the return for shareholders and looking after the ethical interests of other stakeholders of the business'.**

Explain the meaning of this statement.

[2]

(b) Identify and explain TWO ways in which a business such as *OrganicCherubs.com* could maintain a high ethical standard as an employer.

Way 1: _____

Explanation: _____

Way 2: _____

Explanation: _____

_____ [4]

- (c) Identify and explain TWO benefits to a business such as *OrganicCherubs.com* of maintaining a high ethical standard.

Benefit 1: _____

Explanation: _____

Benefit 2: _____

Explanation: _____

_____ [4]

[illegible]

[illegible]

[illegible]

[12]

[TOTAL: 100 marks]

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