

<b>Candidate Forename</b>						<b>Candidate Surname</b>					
<b>Centre Number</b>						<b>Candidate Number</b>					

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS  
ADVANCED SUBSIDIARY GCE**

**F242**

**APPLIED BUSINESS**

**Understanding the Business Environment**

**MONDAY 17 MAY 2010: Afternoon**

**DURATION: 1 hour 30 minutes**

**SUITABLE FOR VISUALLY IMPAIRED CANDIDATES**

**Candidates answer on the Question Paper**

**OCR SUPPLIED MATERIALS:**

**Clean copy Case Study**

**OTHER MATERIALS REQUIRED:**

**Calculator**

**READ INSTRUCTIONS OVERLEAF**

## **INSTRUCTIONS TO CANDIDATES**

- **Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes on the first page.**
- **Use black ink. Pencil may be used for graphs and diagrams only.**
- **Read each question carefully and make sure that you know what you have to do before starting your answer.**
- **Answer ALL the questions.**
- **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.**
- **The quality of your written communication is assessed in question(s) marked with an asterisk (\*).**

**BLANK PAGE**

**Answer ALL questions.**

- 1 The building firm Taylor Wimpey tried to improve its cash-flow by trimming costs and cutting the price of its new homes.**

- (a) State TWO different examples of fixed and variable costs which a business could reduce in order to improve its cash-flow.**

	<b>Example 1</b>	<b>Example 2</b>
<b>Fixed costs</b>		
<b>Variable costs</b>		

**[4]**

- (b) What is the difference between fixed and variable costs?**

---

---

---

---

**[2]**

**(c) Explain how a building firm such as Taylor Wimpey could improve its cash-flow by cutting the prices of its new homes.**

---

---

---

---

---

---

---

---

**[3]**

**(d) Why it is vital for any businesses to maintain a healthy cash-flow?**

---

---

---

---

---

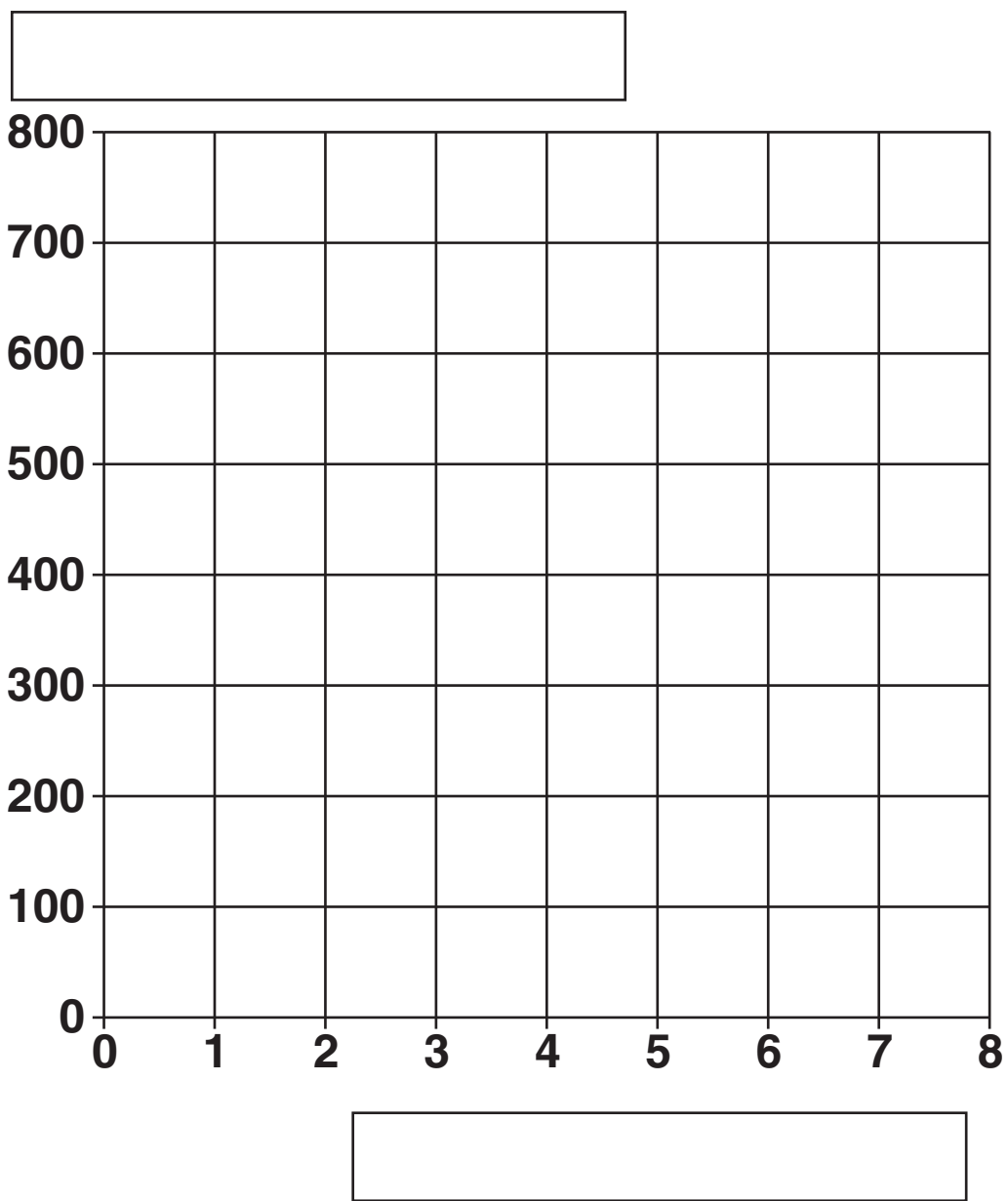
**[2]**

**[Total: 11]**

- 2 (a) (i) Using the information in the table below, construct and LABEL a break-even chart on the grid on the next page for Becky's proposed property letting and management business if she were to 'go it alone'. [8]

Average rent per property .....	£650 per month
Commission charge .....	12% per property per month
Fixed costs.....	£150 per month
Variable costs .....	£28 per property per month

**Break-even chart for Becky’s proposed property letting and management business if she were to ‘go it alone’**



**(ii) State the break-even quantity per month.**

**Number of properties which need to be managed \_\_\_\_\_ [1]**

**(b) Becky thinks that she would be able to manage 10 properties in a month if she were to 'go it alone'. Calculate her commission per month if she manages 10 properties. [2]**

**Show your workings:**

**Commission £ \_\_\_\_\_ per month**



- (c) Calculate the monthly profit or loss if Becky is only able to manage six properties on a 'go it alone' basis.

[4]

Show your workings:

Monthly profit/loss £ \_\_\_\_\_

[Total: 15]

**3 Becky has estimated her capital budget at £2 500.**

- (a) She would like to spend as close to her capital budget as possible. She feels, however, that she could tolerate a variance of + or – 5%.**

**Calculate the maximum and minimum figures she would be prepared to spend on capital equipment.**

**[3]**

**Show your workings:**

**Maximum figure £ \_\_\_\_\_**

**Minimum figure £ \_\_\_\_\_**

**(b) Explain why businesses have to set budgets for their expenditure.**

---

---

---

---

**[2]**

**(c) What is meant by the term 'franchise'?**

---

---

---

---

**[2]**

**(d) Explain TWO advantages of being a franchisee.**

**Advantage 1:** \_\_\_\_\_

---

---

---

**Advantage 2:** \_\_\_\_\_

---

---

---

**[4]**

- (e) Becky is considering purchasing a franchise with a start-up cost of £12 000. Other than a bank loan, identify TWO possible sources of finance to fund this start-up cost.

Possible source of finance 1: \_\_\_\_\_

Possible source of finance 2: \_\_\_\_\_ [2]

- (f) Becky can obtain a bank loan for £12 000 at a cost of 6% per annum which has to be repaid over four years.

Calculate her monthly repayments. [3]

Show your workings:

Monthly repayment £ \_\_\_\_\_

**(g)\* Quality of written communication will be taken into account.**

**Discuss whether Becky should set up her proposed property letting and management business as a franchise or 'go it alone'.**

[illegible]

[illegible]

---

---

---

**[12]****[Total: 28]**

- 4 (a) Identify **THREE** external stakeholder groups which would have an interest in Becky's proposed property letting and management business and state the interest which **EACH** group would have in her proposed business.

Group 1: \_\_\_\_\_

Interest: \_\_\_\_\_

---

---

---

---

Group 2: \_\_\_\_\_

Interest: \_\_\_\_\_

---

---

---

---



**Group 3:** \_\_\_\_\_

**Interest:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ **[6]**

[illegible]



- 5 (a) Explain THREE advantages of online advertising rather than local newspaper advertising to a business such as Becky's proposed property letting and management business.

Advantage 1: \_\_\_\_\_

---

---

---

---

---

---

Advantage 2: \_\_\_\_\_

---

---

---

---

---

---

**Advantage 3:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ [6]

- (b) Other than a SWOT analysis, suggest ONE other marketing tool which Becky could use to analyse her proposed property letting and management business and the environment in which it would operate.**

\_\_\_\_\_

\_\_\_\_\_ [1]

[illegible]

[illegible]

---

---

**[12]**

**[Total: 19]**



[illegible]

[illegible]



## **Copyright Information**

**OCR is committed to seeking permission to reproduce all third-party content that it uses in its assessment materials. OCR has attempted to identify and contact all copyright holders whose work is used in this paper. To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced in the OCR Copyright Acknowledgements Booklet. This is produced for each series of examinations, is given to all schools that receive assessment material and is freely available to download from our public website ([www.ocr.org.uk](http://www.ocr.org.uk)) after the live examination series.**

**If OCR has unwittingly failed to correctly acknowledge or clear any third-party content in this assessment material, OCR will be happy to correct its mistake at the earliest possible opportunity.**

**For queries or further information please contact the Copyright Team, First Floor, 9 Hills Road, Cambridge CB2 1GE.**

**OCR is part of the Cambridge Assessment Group; Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.**