

Candidate forename		Candidate surname	
Centre number		Candidate number	

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
ADVANCED SUBSIDIARY GCE
F242
APPLIED BUSINESS

Understanding the Business Environment

TUESDAY 11 JANUARY 2011: Morning

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:

A calculator may be used

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. Pencil may be used for graphs and diagrams only.**
- **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).**
- **Answer ALL the questions.**

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 is assessed in the question marked with an asterisk (*).**

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- 1 To help in his decision-making process, Jeremy has started to prepare the cash-flow forecast on the next page for the proposed expansion of Food 4 Thought Ltd (F4T).**
 - (a) Using the information provided in the box on the next page, complete the 7 boxes with double border lines in the cash-flow forecast for F4T. [7]**

Average cost of stock = 1/3 of sales revenue

Cash-flow forecast for F4T proposed expansion

	January 2011	February 2011	March 2011	April 2011
CASH INFLOW				
Sales revenue		15 900	15 990	21 000
TOTAL CASH INFLOW	15 000	15 900	15 990	21 000
CASH OUTFLOW				
Mortgage repayments	1 500	1 500	1 500	1 500
Building costs	30 000	10 000	10 000	5 150
Website development	1 500	0	0	0
Computer hardware/ software	0	0	2 500	0
Tills	0	0	0	150
Stock	5 000	5 300		7 000
Wages	1 100	1 100	1 100	3 400
Salaries	2 000	2 000	2 000	2 000
Insurance	400	400	400	800
Overheads	800	800	800	1 500
TOTAL CASH OUTFLOW	42 300	21 100	23 630	
NET CASH-FLOW	-27 300	-5 200		-500
OPENING BALANCE	10 000		-22 500	-30 140
CLOSING BALANCE		-22 500	-30 140	

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- [illegible]

[illegible]

[Total: 19]

- 2 (a) State TWO types of budgeting. For each type of budgeting, state ONE advantage and ONE disadvantage. [6]

Type 1: _____

Advantage: _____

Disadvantage: _____

Type 2: _____

Advantage: _____

Disadvantage: _____

- (b) The budgeted figures in the table on the next page are extracted from the cash-flow forecast in Question 1(a).**

Complete the 10 boxes with double border lines in the table on the next page. [10]

Show your workings:

Item	Budget figure (£)	Actual figure (£)	Variance		
			(£)	Percentage (%)	Favourable/ Adverse
CASH INFLOW					
Sales (April 2011)	21 000	17 850			
CASH OUTFLOW					
Website development (January 2011)	1 500	2 000			
Computer hardware/ software (March 2011)	2 500			5	Favourable
Mortgage repayment (Monthly)	1 500			4	Adverse

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(c) Identify ONE possible reason for an increase in F4T's mortgage repayment. Explain the likely impact it may have on Jeremy's expansion plan. [3]

Reason: _____

Impact: _____

[Total: 19]

- 3 (a) Other than providing an online shopping service, identify **THREE OTHER** examples of business activities which Jeremy could computerise in the running of F4T. [3]

Example 1: _____

Example 2: _____

Example 3: _____

- (b) According to Jeremy's calculations, the monthly costs of running an online shopping service are as follows:

running/maintenance of website	£ 500
premises	£ 200
wages	£2000
overheads	£ 80
average sales revenue per transaction.....	£ 60

The cost of sales is one third of sales revenue.

Calculate the number of transactions F4T needs to break-even each month. [4]

Show your workings:

Break-even = _____ transactions per month

(c) Calculate the break-even sales revenue. [2]

Show your workings:

Break-even sales revenue per month = £ _____

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

Using your results from the break-even analyses carried out in PARTS (b) AND (c), recommend whether or not F4T should provide an online shopping service. Justify your answer. [12]

[illegible]

[illegible]

[Total: 21]

- 4 (a) Identify THREE possible disadvantages of becoming a FRANCHISEE. [3]**

Disadvantage 1: _____

Disadvantage 2: _____

Disadvantage 3: _____

- (b) Identify THREE possible advantages of becoming a FRANCHISOR. [3]**

Advantage 1: _____

Advantage 2: _____

Advantage 3: _____

(c) Analyse the benefits and drawbacks to Jeremy of floating F4T on the Stock Exchange. [9]

[Total: 15]

- 5 (a) State TWO EXTERNAL stakeholder groups with an interest in F4T. [2]

External stakeholder group 1:

External stakeholder group 2:

- (b) For each of the stakeholder groups identified in PART (a), explain ONE way in which each group could influence Jeremy's expansion plan for F4T. [4]

Stakeholder group 1: _____

Stakeholder group 2: _____

[Total: 6]

6 (a) What do the initials in the term PEST analysis stand for? [4]

P

E

S

T

(b) Using a SWOT analysis, evaluate Jeremy's decision to expand F4T. [12]

[illegible]

[illegible]

[Total: 16]

7 (a) Give ONE difference between laws and ethics. [1]

(b) Give ONE example of how Jeremy could ensure that F4T meets its legal obligations. [1]

(c) Identify and explain ONE BENEFIT to F4T of acting in an ethical manner. [2]

[Total: 4]

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