

**Modified Enlarged 18 pt**

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**

**Tuesday 16 May 2023 – Morning**

**Level 3 Cambridge Technical in Business**

**05834/05835/05836/05837/05878**

**Unit 1: The business environment**

**Time allowed: 2 hours plus your additional time allowance**

**You must have:  
a clean copy of the Pre-release  
(with this document)**

**You can use:  
a calculator**

**Please write clearly in black ink.**

**Centre  
number**

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**Candidate  
number**

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**First name(s)** \_\_\_\_\_

**Last name** \_\_\_\_\_

**Date of  
birth**

D	D	M	M	Y	Y	Y	Y
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**READ INSTRUCTIONS OVERLEAF**

## **INSTRUCTIONS**

**Use black ink.**

**Write your answer to each question in the space provided. You can use extra paper if you need to, but you must clearly show your candidate number, the centre number and the question numbers.**

**Use the Insert to answer the questions in SECTION B.**

**Answer ALL the questions.**

## **INFORMATION**

**The total mark for this paper is 90.**

**The marks for each question are shown in brackets [ ].**

## **ADVICE**

**Read each question carefully before you start your answer.**

**SECTION A**

Put a tick (✓) in the box next to the **ONE** correct answer for each question.

**1 What is the MAIN business activity of a secondary sector organisation? [1]**

**A Extracting raw materials**

☐

**B Manufacturing goods**

☐

**C Providing a personal service**

☐

**D Raising money for charity**

☐

**2 The role of a supervisor is higher in status than the role of:**

**A a director**

☐

**B a manager**

☐

**C an operative**

☐

**D the chief executive**

☐

**[1]**

- 3 A television production company fails to give its workers enough breaks.**

**Which law does the television production company appear to have broken? [1]**

**A Companies Act**

☐

**B Consumer Protection Act**

☐

**C National Minimum Wage Act**

☐

**D Working Time Directive**

☐

- 4 The term 'procurement' means:**

**A liaising with customers**

☐

**B obtaining supplies**

☐

**C planning recruitment**

☐

**D reallocating tasks to subordinates**

☐

**[1]**

**5 A computer manufacturer made 2000 tablets last year. Costs were as follows:**

**Labour: £25 per tablet**

**Parts: £38 per tablet**

**Packaging: £4 per tablet**

**Overheads: £180 000 per annum**

**Other costs: £20 000 per annum**

**The variable cost per tablet was:**

**A £63**

☐

**B £67**

☐

**C £100**

☐

**D £167**

☐

**[1]**

**6 Which of the following is a correct definition of the term 'stakeholder'? [1]**

**A An entrepreneur who pursues their own interests**

☐

**B Members of environmental pressure groups**

☐

**C Someone who has an interest in a business**

☐

**D The general public who buy shares on the stock exchange**

☐

- 7 A school experiences rising costs for all of its supplies.**

**Which change in the external environment would cause this impact? [1]**

- |  |                          |
|--|--------------------------|
| <b>A A more favourable exchange rate</b>         | <input type="checkbox"/> |
| <b>B A rise in the rate of inflation</b>         | <input type="checkbox"/> |
| <b>C An increase in disposable income levels</b> | <input type="checkbox"/> |
| <b>D Higher unemployment in the local area</b>   | <input type="checkbox"/> |

- 8 The table below summarises the environmental performance of Funtoy plc with the industrial average for its sector.

Environmental performance indicators	Funtoy plc	Industrial average
Wastage (as percentage of output)	3.2%	2.8%
Carbon emissions (per £1 million revenue)	412 tonnes	420 tonnes

The table shows that Funtoy plc has:

- A done better than the industrial average for both performance indicators ☐
- B done better than the industrial average for wastage but worse for carbon emissions ☐
- C done worse than the industrial average for both performance indicators ☐
- D done worse than the industrial average for wastage but better for carbon emissions ☐ [1]

**9 A business is replacing twenty of its production workers with machines.**

**This process is called:**

**A accountability**

☐

**B automation**

☐

**C centralisation**

☐

**D empowerment**

☐

**[1]**

**10 Which of the following is NOT a business resource? [1]**

**A Cash flow**

☐

**B Corporate social responsibility**

☐

**C Premises**

☐

**D Skills of workforce**

☐

**11 Which would be classified as fixed costs of a clothing retailer? [1]**

**A Buttons and zips**

☐

**B Heating and lighting**

☐

**C Sales assistants' wages**

☐

**D T-shirts and jeans**

☐



**12 The sales function of a furniture retailer is required to supply the accounts function with actual sales figures on the last day of each month.**

**One benefit of this business practice is that:**

- A accurate cash flow statements can be produced** ☐
- B all products can be delivered on time** ☐
- C costs can be calculated correctly** ☐
- D the goods can be paid for quickly** ☐ **[1]**

**13 Financial data for a bicycle manufacturer is given in the table below.**

	<b>This year (estimated)</b>	<b>Last year (actual)</b>
<b>Fixed costs per year</b>	<b>£5 120 000</b>	<b>£4 800 000</b>
<b>Variable costs per bicycle</b>	<b>£60</b>	<b>£60</b>
<b>Average selling price of bicycle</b>	<b>£220</b>	<b>£220</b>

**The bicycle manufacturer's break-even point is expected to:**

**A decrease by £2000**

☐

**B decrease to 30 000 bicycles**

☐

**C increase by 2000 bicycles**

☐

**D increase to £32 000**

☐

**[1]**

**14 Which of the following tasks would a business support manager in a large business be MOST likely to complete? [1]**

- A Co-ordinate an upgrade to the IT network** ☐
- B Create a multi-media marketing campaign** ☐
- C Develop new products** ☐
- D Resolve customer queries** ☐

**15 Which would appear in the current assets section of a statement of financial position? [1]**

- A Accrued expenses** ☐
- B Cash at bank** ☐
- C Premises** ☐
- D Trade payables** ☐

**16 Trade credit is:**

- A a favourable change in an exchange rate** ☐
- B an employee reward system** ☐
- C an environmentally sustainable business practice** ☐
- D an external source of finance** ☐ **[1]**

**17 One reason businesses plan is to:**

- A increase uncertainty** ☐
- B maximise risk** ☐
- C meet objectives** ☐
- D minimise chances of success** ☐ **[1]**

**18 What can an annual cash flow forecast be used for? [1]**

- A To calculate the break-even level of output** ☐
- B To estimate closing inventory levels** ☐
- C To identify the need for short-term finance** ☐
- D To work out if a business will make a profit** ☐

**19 Which can a manager delegate to a subordinate? [1]**

- A Accountability for the outcome of a project** ☐
- B Authority to do a task** ☐
- C Responsibility for completion of an activity** ☐
- D The current margin of safety** ☐

**20 Customers of the XPM brand of instant coffee have heard on social media that the company buys its coffee beans from a plantation that pays its workers very low wages.**

**Which of the following actions are unhappy customers MOST likely to take? [1]**

**A Benchmark the XPM brand**

☐

**B Boycott the XPM brand**

☐

**C Buy shares in the XPM brand**

☐

**D Promote the XPM brand**

☐

**SECTION B**

Use the businesses you have researched to answer the questions in this section. A clean copy of the research brief is provided.

**21 Identify TWO growth aims of a business that you have researched.**

**Name of business**

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**Activity of business**

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**1** 

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**2** 

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**[2]**

**22 Explain ONE advantage and ONE disadvantage to a business that you have researched of using a matrix structure.**

**Name of business**

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**Activity of business**

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**Advantage**

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**Disadvantage**

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**23 Explain TWO advantages to a business that you have researched of using a mortgage as a source of finance.**

**Name of business**

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**Activity of business**

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**1** 

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**2** 

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**[4]**

**24 Analyse ONE advantage and ONE disadvantage to a business that you have researched of meeting the needs of its employees. [6]**

**Name of business**

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**Activity of business**

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**Advantage**

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**Disadvantage**

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**25 Describe how a business that you have researched has altered its business practices to comply with the General Data Protection Regulation (GDPR), now included in the Data Protection Act.**

**Name of business**

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**Activity of business**

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## **SECTION C**

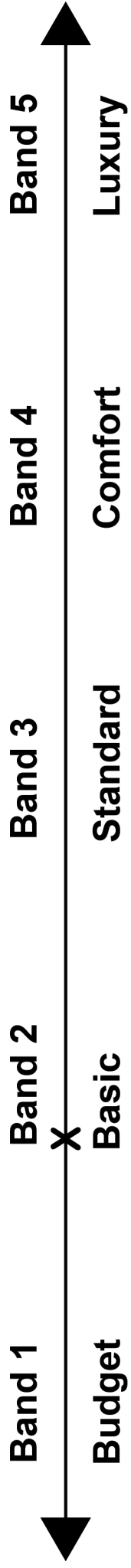
### **BUSINESS SCENARIO: Wattis Hotel**

**Wattis Hotel is a small, 20-bedroomed hotel located in the city of Liverpool. The hotel was founded in autumn 2020 by Taylor Wattis. In December 2021, Taylor, struggling to deal with poor reviews on the hotel’s website, invited his friend, Mia, to be his business partner. Mia gave up her managerial job at a local travel agency and joined the business. The business now trades as an ordinary partnership with Taylor and Mia as equal partners.**

**Hotels vary greatly in the range and quality of facilities they offer. Taylor and Mia operate Wattis Hotel at the lower end of Band 2: Basic hotel (as shown by an X on the scale opposite).**

**The hotel targets customers who want clean, comfortable, basic rooms at good-value prices. The hotel has a limited range of facilities; it does not have a gym or restaurant. No breakfast is provided. However, there is a hot drinks vending machine in the reception area.**

**Wattis Hotel, however, is a ‘basic’ hotel with a difference – both partners are committed to its environmentally friendly operation. Taylor had solar panels fitted when he first bought the property. Since joining the business, Mia has had heating thermostats and motion-activated lighting installed in rooms and corridors and insisted that the hotel swap its diesel-fuelled minibus for a more environmentally friendly model.**



**The hotel employs nine staff, all paid the living wage. Approximately 85% of its rooms are occupied during the summer, dropping to 65% in the winter. The price charged for a double room for one night is £65 throughout the year. Taylor and Mia are currently considering how to improve the business and have recently produced a SWOT analysis (see table opposite).**

## SWOT analysis, Wattis Hotel

<p><b>STRENGTHS:</b></p> <ol style="list-style-type: none"> <li>1. Being environmentally friendly – including solar panels on roof, recycling facilities in car park, room cleaning and laundry using eco-friendly detergents and hybrid electric minibus.</li> <li>2. Location – close to city centre, railway station and lots of tourist attractions; large restaurant next door; several pubs and cafés, a gym and a health spa in walking distance.</li> <li>3. Pricing – approximately £10 per room lower than similar ‘basic’ hotels in the area.</li> </ol>	<p><b>WEAKNESSES:</b></p> <ol style="list-style-type: none"> <li>1. Human resource issues – lack of staff commitment and motivation, staff often rude to customers, high number of staff leaving.</li> <li>2. Limited marketing – customers must book directly with the hotel (on website or by phone); hotel is not registered with the tourist board nor any online hotel reservation sites.</li> <li>3. Poor cash flow management – outflow payments made too early; inflows erratic; bank account close to overdraft limit during winter months.</li> </ol>
<p><b>OPPORTUNITY:</b></p> <ol style="list-style-type: none"> <li>1. Predicted fall in unemployment levels – locally, nationally and internationally (especially in mainland Europe and America).</li> </ol>	<p><b>THREAT:</b></p> <ol style="list-style-type: none"> <li>1. Proposed introduction of a ‘tourism tax’ - all businesses in the leisure and tourism industry will be required to pay additional taxation on earnings.</li> </ol>

All of the questions in Section C should be answered in relation to the business scenario on page 20.

**26 Wattis Hotel is an ordinary partnership.**

**Identify with a tick (✓) the type of legal liability Taylor and Mia have as owners of Wattis Hotel. [1]**

**Limited liability**

☐

**Unlimited liability**

☐

**27 Explain ONE advantage and ONE disadvantage to Taylor of operating Wattis Hotel as a partnership rather than as a sole trader.**

**Advantage** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Disadvantage** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**[4]**



**28 'Being environmentally friendly' is shown as a 'Strength' in Wattis Hotel's SWOT analysis.**

**Evaluate likely benefits gained by Wattis Hotel from its environmentally friendly operation. [12]**

[illegible]



**29 The income statement for Wattis Hotel for its first two complete years of trading is shown below.**

<b>YEAR ENDING 31 DECEMBER</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>	<b>350</b>	<b>345</b>
<b>Cost of sales (including labour costs)</b>	<b>198</b>	<b>198</b>
<b>GROSS PROFIT</b>	<b>152</b>	<b>147</b>
<b>Operating expenses</b>	<b>118</b>	<b>76</b>
<b>OPERATING PROFIT</b>	<b>34</b>	<b>71</b>
<b>Loan interest paid</b>	<b>19</b>	<b>21</b>
<b>NET PROFIT</b>	<b>15</b>	<b>50</b>

- (a) Using the data shown in the income statement above, explain ONE cause of Wattis Hotel's decline in financial performance from 2021 to 2022.**

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**[2]**

**(b) Identify the direct financial impact of the introduction of a 'tourism tax' on Wattis Hotel's:**

**costs**

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**net profit**

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**break-even point**

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**[3]**

**30 (a) Explain the difference between a 'Threat' and a 'Weakness' on a SWOT analysis.**

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**[2]**

- (b) Analyse the likely impact on Wattis Hotel of each of the THREE 'Weaknesses' identified by Taylor and Mia on the SWOT analysis shown on page 23.**

**Which 'Weakness' is likely to have the greatest impact on the future success of Wattis Hotel? Justify your view. [12]**

[illegible]



**31 A business should seize its opportunities to make changes to improve its performance.**

**Recommend to Taylor and Mia ways in which Wattis Hotel could change its service provision in response to the predicted fall in local, national and international unemployment levels. [12]**

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





**32 Wattis Hotel is a small organisation, so all of its staff need to perform the customer service function.**

**Identify TWO customer service activities that all staff at the hotel may be required to perform.**

**1** \_\_\_\_\_

\_\_\_\_\_

**2** \_\_\_\_\_

\_\_\_\_\_

**[2]**

**END OF QUESTION PAPER**







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