



**Surname** \_\_\_\_\_

**Other Names** \_\_\_\_\_

**Centre Number** \_\_\_\_\_

**Candidate Number** \_\_\_\_\_

**Candidate Signature** \_\_\_\_\_

**I declare this is my own work.**

**A-level**

**BUSINESS**

**Paper 1 Business 1**

**7132/1**

**Friday 22 May 2020**

**Morning**

**Time allowed: 2 hours**

**At the top of the page, write your surname and other names, your centre number, your candidate number and add your signature.**

**[Turn over]**



**For this paper you must have:**

- **a calculator.**

## **INSTRUCTIONS**

- **Use black ink or black ball-point pen.**
- **Answer ALL questions in SECTION A and SECTION B.**
- **Answer ONE question from SECTION C and ONE question from SECTION D.**
- **You must answer the questions in the spaces provided. Do not write on blank pages.**
- **If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).**



- **Do all rough work in this answer book. Cross through any work you do not want to be marked.**

## **INFORMATION**

- **The marks for questions are shown in brackets.**
- **The maximum mark for this paper is 100.**

**DO NOT TURN OVER UNTIL TOLD TO DO SO**



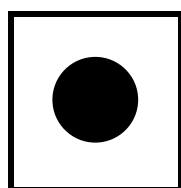
## SECTION A

**Answer ALL questions in this section.**

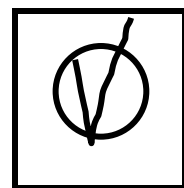
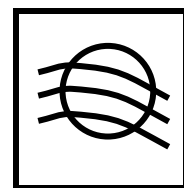
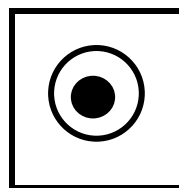
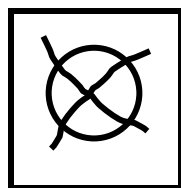
**Only ONE answer per question is allowed.**

**For each question completely fill in the circle alongside the appropriate answer.**

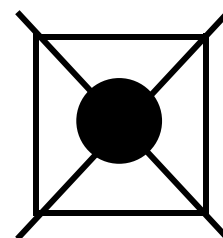
**CORRECT METHOD**



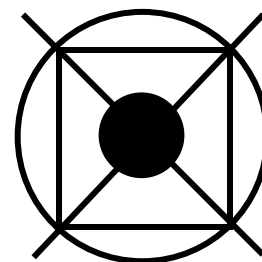
**WRONG METHODS**



**If you want to change your answer you must cross out your original answer as shown.**



**If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.**



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**[Turn over]**



0	1
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**‘The process of transforming raw information into useful information that can support various activities of a business’.**

**The definition above most accurately describes**

☐

**A data mining.**

☐

**B e-commerce.**

☐

**C enterprise resource planning.**

☐

**D gathering big data.**

**[1 mark]**



0	2
---	---

**Despite a significant increase in its sales revenue, a product's market share falls from 60% to 50%.**

**This product is a**

☐

**A cash cow.**

☐

**B dog.**

☐

**C problem child/question mark.**

☐

**D star.**

**[1 mark]**

**[Turn over]**



0	3
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**STATEMENT 1: ‘An increase in its level of capacity utilisation can help a business because it allows it more time for maintenance and repair of equipment.’**

**STATEMENT 2: ‘An increase in its level of capacity utilisation can help a business because it allows it to meet unexpected increases in demand.’**

**READ STATEMENTS 1 AND 2 and select the correct option from the following options on the opposite page.**





- ☐ **A Statement 1 is true. Statement 2 is true.**
- ☐ **B Statement 1 is true. Statement 2 is false.**
- ☐ **C Statement 1 is false. Statement 2 is true.**
- ☐ **D Statement 1 is false. Statement 2 is false.**

**[1 mark]**

**[Turn over]**



0	4
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The table below shows data from a company's accounts.

Item	£ (million)
Cost of sales	4
Other expenses	3
Sales revenue	12
Taxation	2

The company's operating profit is

☐

**A** £3 million.

☐

**B** £5 million.

☐

**C** £6 million.

☐

**D** £8 million.

[1 mark]



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**[Turn over]**



0	5
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**STATEMENT 1: ‘Lean production should reduce unit costs because it involves a business buying raw materials in greater bulk.’**

**STATEMENT 2: ‘Lean production should reduce unit costs because it reduces wastage of raw materials.’**

**READ STATEMENTS 1 AND 2 and select the correct option from the following options on the opposite page.**



☐

**A Statement 1 is true. Statement 2 is true.**

☐

**B Statement 1 is true. Statement 2 is false.**

☐

**C Statement 1 is false. Statement 2 is true.**

☐

**D Statement 1 is false. Statement 2 is false.**

**[1 mark]**

**[Turn over]**



06

The table below shows four possible scenarios.

Scenario	Managers' willingness to make internal changes	Likelihood of external changes in market
A	High	High
B	High	Low
C	Low	High
D	Low	Low



**In which of these scenarios is strategic drift **LEAST** likely to occur?**

☐

**A Scenario A**

☐

**B Scenario B**

☐

**C Scenario C**

☐

**D Scenario D**

**[1 mark]**

**[Turn over]**



0	7
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**FIGURE 1, on the opposite page, shows Greiner's five stages of growth.**

**Point 'X' shows the crisis of**

☐

**A autonomy at the end of the delegation stage.**

☐

**B autonomy at the end of the direction stage.**

☐

**C control at the end of the delegation stage.**

☐

**D control at the end of the direction stage.**

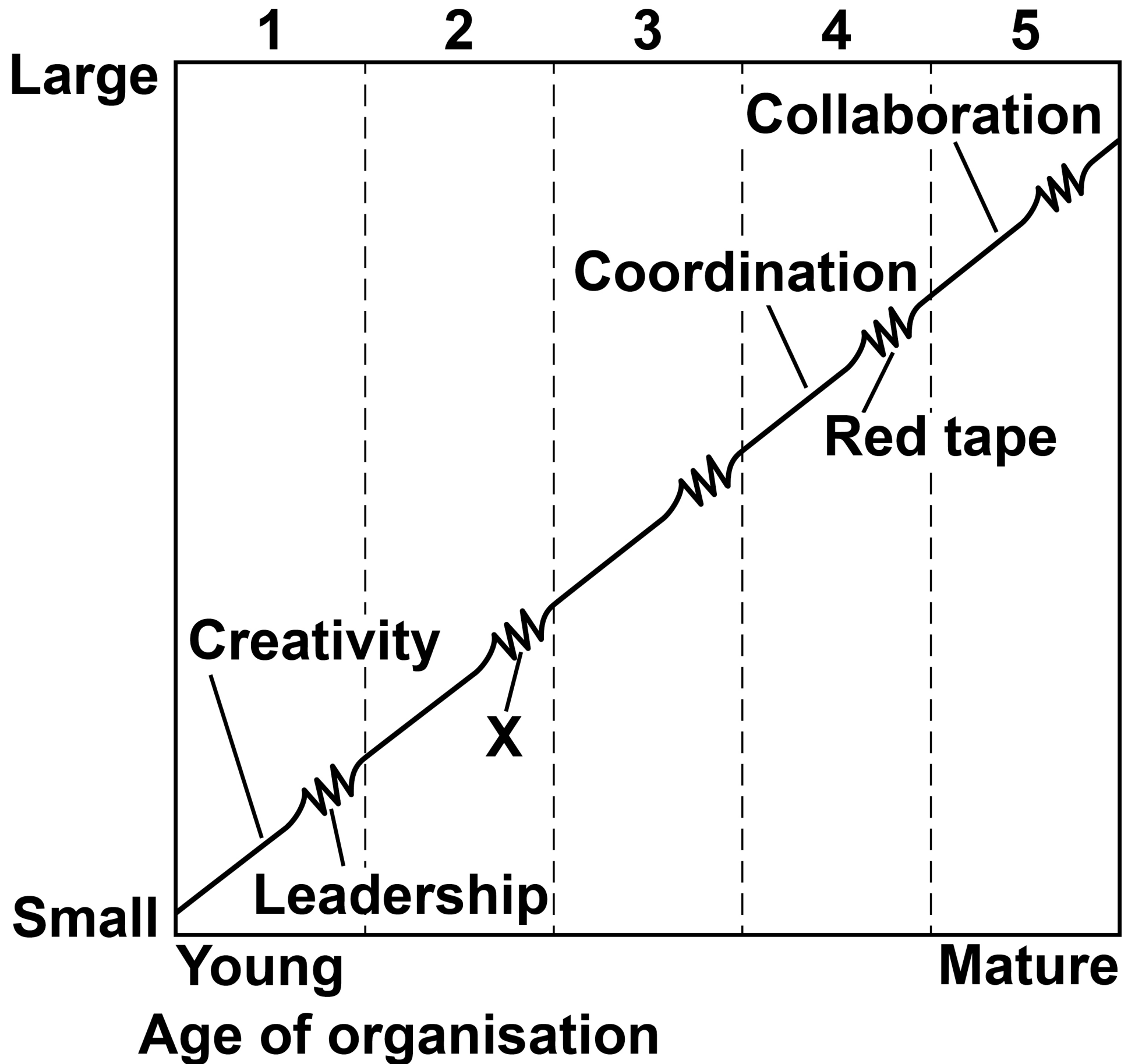
**[1 mark]**



# FIGURE 1

## The five stages of growth

Size of  
organisation



[Turn over]



0	8
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**Which one of the following perspectives is NOT used by Kaplan and Norton's balanced scorecard?**

☐

**A Customer**

☐

**B External businesses**

☐

**C Financial**

☐

**D Learning and growth**

**[1 mark]**



0	9
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The table below shows the net annual return of an investment.

Year	Net return (£000s)
0	(1000)
1	500
2	900

After two years, the ARR (%) for this investment is

☐

**A 90%**

☐

**B 70%**

☐

**C 40%**

☐

**D 20%**

**[1 mark]**



1	0
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The table below shows the two different management styles used by managers in four companies.

Company	Management styles
A	‘Country club’ and ‘Impoverished’
B	‘Produce or perish’ and ‘Team leader’
C	‘Produce or perish’ and ‘Impoverished’
D	‘Country club’ and ‘Team leader’



**Which company is MOST likely to use a soft human resource management approach?**

☐

**A Company A**

☐

**B Company B**

☐

**C Company C**

☐

**D Company D**

**[1 mark]**

**[Turn over]**



1	1
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**STATEMENT 1: ‘External growth requires a business to integrate with another business that is located in a different country.’**

**STATEMENT 2: ‘Organic growth requires a business to use its own resources to expand its size.’**

**READ STATEMENTS 1 AND 2 and select the correct option from the following options on the opposite page.  
[1 mark]**



☐

**A Statement 1 is true. Statement 2 is true.**

☐

**B Statement 1 is true. Statement 2 is false.**

☐

**C Statement 1 is false. Statement 2 is true.**

☐

**D Statement 1 is false. Statement 2 is false.**

**[1 mark]**

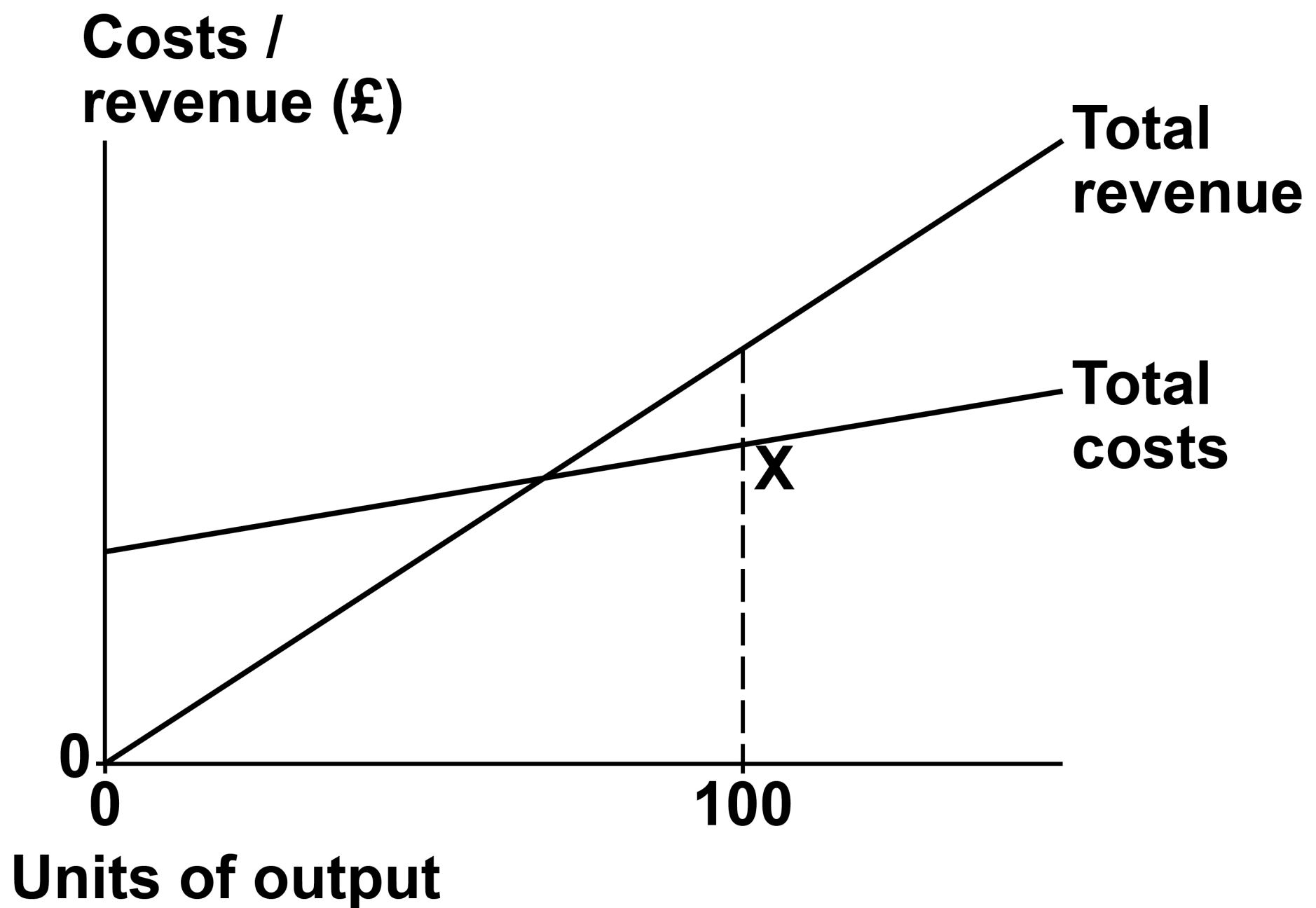
**[Turn over]**



1	2
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The diagram below shows the original breakeven chart for a product.

**FIGURE 2**





**The product's fixed costs then decrease and its variable costs per unit increase such that, at its current output of 100 units, the total costs are still the same, as shown by point X.**

**Which one of these statements is correct?**

☐

**A Its break-even output falls and its margin of safety increases.**

☐

**B Its break-even output increases and its margin of safety falls.**

☐

**C Its break-even output and its margin of safety remain the same.**

☐

**D Its break-even output remains the same and its margin of safety increases.**

**[1 mark]**



1	3
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**A business's competitive advantage is based on innovation. Hofstede's national cultures model includes indices for uncertainty avoidance (UAI) and power distance (PD).**

**Based only on Hofstede's national cultures, this business would benefit most from locating in a country with**

☐

**A a high UAI index and a high PD index.**

☐

**B a high UAI index and a low PD index.**

☐

**C a low UAI index and a high PD index.**

☐

**D a low UAI index and a low PD index.**

**[1 mark]**



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**[Turn over]**



1	4
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**STATEMENT 1: ‘Usually there is a negative correlation between changes in consumers’ incomes and changes in the quantity demanded of a product.’**

**STATEMENT 2: ‘Usually there is a positive correlation between changes in the price of a competitor’s product and changes in the quantity demanded of a product.’**

**READ STATEMENTS 1 AND 2 AND select the correct option from the following options on the opposite page.**



☐

**A Statement 1 is true. Statement 2 is true.**

☐

**B Statement 1 is true. Statement 2 is false.**

☐

**C Statement 1 is false. Statement 2 is true.**

☐

**D Statement 1 is false. Statement 2 is false.**

**[1 mark]**

**[Turn over]**

15

A business sells four products.

The table below shows the price elasticity of demand and income elasticity of demand for the four products.

Product	Price elasticity of demand	Income elasticity of demand
A	-1.5	-1
B	-1.5	+1
C	-0.5	-1
D	-0.5	+1



**A year ago, all four products had identical sales volumes. Since then, each product has had the same percentage cut in price and there has also been a fall in consumer incomes.**

**Which ONE of these products has the highest sales volume now?**

☐

**A Product A**

☐

**B Product B**

☐

**C Product C**

☐

**D Product D**

**[1 mark]**

<hr/>
<b>15</b>

**[Turn over]**



**SECTION B**

**Answer ALL questions in this section.**

<b>1</b>	<b>6</b>
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**The table below shows a company's budgeted income and expenditure for 2019.**

<b>Income</b>	<b>£80 million</b>
<b>Expenditure</b>	<b>£70 million</b>

**At the end of the year the actual income and expenditure are as follows:**

- income is 5% below the budgeted figure**
- expenditure is 10% higher than the budgeted figure.**





**Calculate the profit variance and state whether it is adverse or favourable.**

**[4 marks]**

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**[Turn over]**

4



1	7
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**The data below relates to a factory.**

- **Capacity = 180 units per day**
- **Number of employees = 16**
- **Wages per day = £60 per employee**
- **Selling price of product = £15 per unit**
- **Capacity utilisation of factory = 80%**

**Assuming that all output is sold,  
calculate the factory's employee costs as  
a percentage of turnover. [4 marks]**

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[Turn over]

4



1	8
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**Analyse how employing a more diverse workforce might increase the profit of a business. [9 marks]**

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**[Turn over]**



19

The table below shows the changes in the two efficiency ratios for Wilson PLC, 2018–2019.

Ratios	2018	2019
Receivables days	30	45
Payables days	38	43

Analyse the implications of these changes for Wilson PLC’s cash levels.  
[9 marks]

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**[Turn over]**





2	0
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**Analyse the problems that might arise for a small business from the growth of digital technology. [9 marks]**

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**[Turn over]**



Handwriting practice lines consisting of 18 horizontal lines.



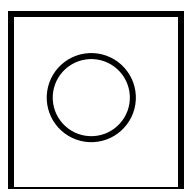
9



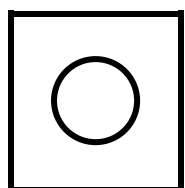
**SECTION C**

**Answer EITHER Question 21 OR Question 22.**

**Shade the lozenge below to indicate which optional question you have answered.**

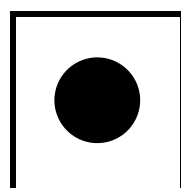


**Question 21**

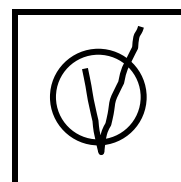
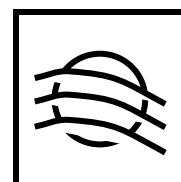
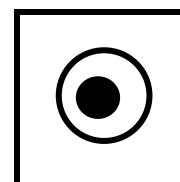
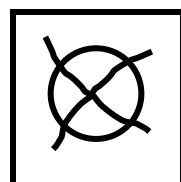


**Question 22**

**CORRECT METHOD**



**WRONG METHODS**



2	1
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**‘Limited liability benefits all stakeholders of a public limited company.’**

**Do you agree? Justify your view.  
[25 marks]**

**OR**

2	2
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**‘The growth stage is the most challenging stage of the product life cycle for a business when managing its human resource flow.’**

**Do you agree? Justify your view.  
[25 marks]**

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**[Turn over]**



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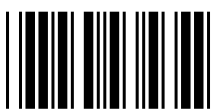


**50**

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**[Turn over]**



[illegible]



[illegible]



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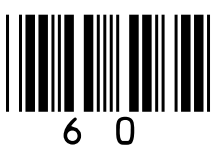




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60

[illegible]

25



SECTION D

Answer EITHER Question 23 OR Question 24.

Shade the lozenge below to indicate which optional question you have answered.

☐

Question 23

☐

Question 24

CORRECT METHOD

☒

WRONG METHODS

☒

☒

☒

☒

2	3
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**‘To achieve successful innovation, the level of spending on research and development is more important than the organisational culture of a business.’**

**Do you agree? Justify your view.  
[25 marks]**

**OR**

2	4
---	---

**A business is changing from a strategic position of low cost to one of differentiation.**

**Will this lead to the business spending more on marketing and less on the operations function? Justify your view.  
[25 marks]**

**[Turn over]**



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70

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**[Turn over]**



[illegible]



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END OF QUESTIONS

25



**Additional page, if required.  
Write the question numbers in the  
left-hand margin.**

[illegible]



**Additional page, if required.**  
**Write the question numbers in the left-hand margin.**

[illegible]

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For Examiner's Use	
Question	Mark
Section A	
16	
17	
18	
19	
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23	
24	
TOTAL	

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