



**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**

**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**



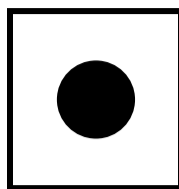
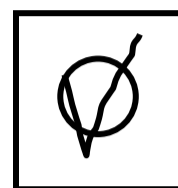
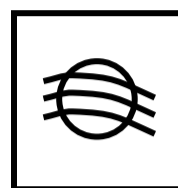
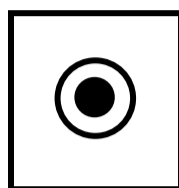
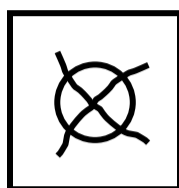
## **SECTION A**

**Answer ALL questions in this section.**

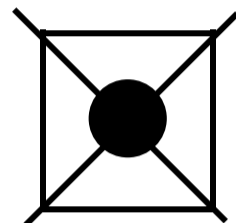
**Only ONE answer per question is allowed.**

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

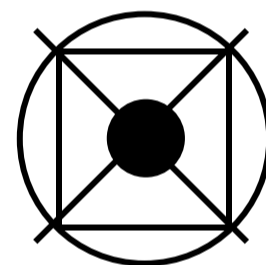


**CORRECT METHOD****WRONG METHODS**

**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.**

**[Turn over]**

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**The managers of a business propose to retain all of its profit to finance automation of its production. This is most likely to cause conflict with:**

- A employees and lenders.**
- B employees and shareholders.**
- C lenders and suppliers.**
- D shareholders and suppliers.**

**[1 mark]**



0	2
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**A business is able to reduce unit costs because of lessons learned throughout the period in which it has existed. This is known as:**

**A economies of scale.**

**B economies of scope.**

**C synergy.**

**D the experience curve.**

**[1 mark]**

**[Turn over]**



0	3
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**In a decision tree the net gain of a decision is the:**

- A average pay-off of the outcomes.**
- B expected value of the best decision minus the expected value of the next best decision.**
- C expected value minus the initial cost.**
- D total pay-off of the outcomes minus the initial cost.**

**[1 mark]**





0	4
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**Which one of these changes is most likely to lead to higher costs and higher demand for a product?**

**A An increase in the rate of inflation**

**B A rise in interest rates**

**C Introducing fair trade principles**

**D More competition**

**[1 mark]**

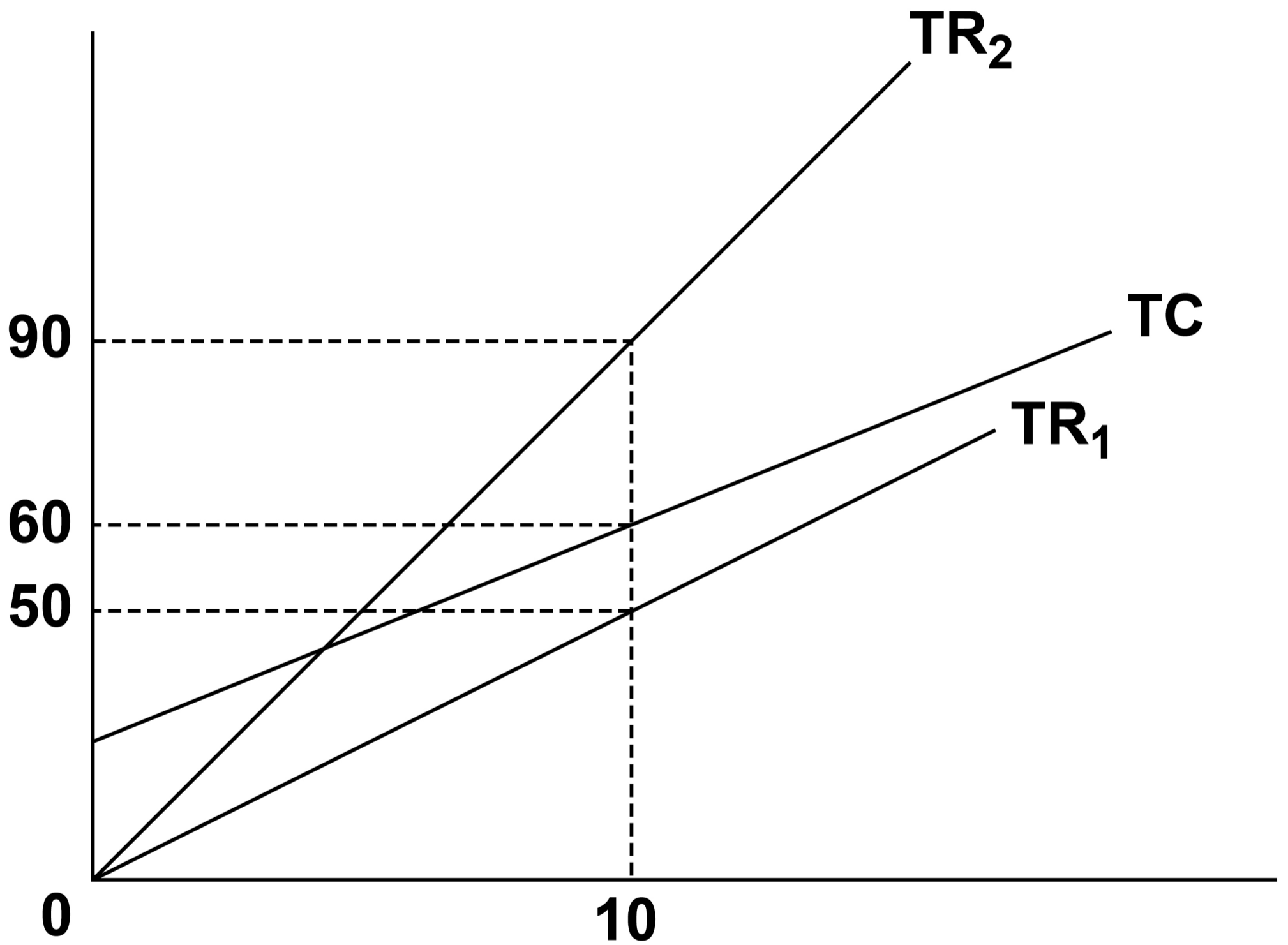
**[Turn over]**



0 5

The diagram below shows a breakeven chart.

Total revenue / costs (£m)



Units (millions)



**The business produces and sells 10 million units of output. Price rises from £5 to £9. As a result, profit changes:**

**A from minus £10m to £30m.**

**B from minus £10m to £40m.**

**C from £10m to £30m.**

**D from £10m to £40m.**

**[1 mark]**

**[Turn over]**



0	6
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**Stated below are three possible changes for a business.**

- 1. A reduction in wage levels.**
- 2. An increase in labour productivity.**
- 3. An increase in labour turnover.**

**Other things being equal, which of the following changes is the most likely to lead to an increase in employee costs as a percentage of turnover?**



**A 1 and 2 only**

**B 2 and 3 only**

**C 2 only**

**D 3 only**

**[1 mark]**

**[Turn over]**



0	7
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**The owner of a business which sells hot drinks asks a focus group of customers for their views. This market research reveals that customers prefer to have cakes with their drinks. In terms of Ansoff's matrix, the subsequent decision to introduce cakes is an example of:**



- A diversification, resulting from qualitative market research.**
- B diversification, resulting from quantitative market research.**
- C product development, resulting from qualitative market research.**
- D product development, resulting from quantitative market research.**

**[1 mark]**

**[Turn over]**



0	8
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**A product's price rises by 20% and its sales volume falls by 10%. All of its competitors leave their prices unchanged. The product's market share, as measured by sales volume, remains the same.**

**Which of these statements is FALSE?**





- A The market size, measured by volume, remains unchanged.**
- B The product's market share, measured by value, increases.**
- C The product's price elasticity of demand is inelastic.**
- D The product's sales value rises.**

**[1 mark]**

**[Turn over]**



0	9
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**STATEMENT 1: 'In a network diagram, the path with the lowest total float time is the critical path.'**

**STATEMENT 2: 'In a network diagram, at least one activity must have a float time.'**

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



**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]**



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**STATEMENT 1: ‘A business might improve the quality of its product in order to make its demand more price elastic.’**

**STATEMENT 2: ‘A business might improve the quality of its product in order to increase added value.’**

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



- 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	1
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**STATEMENT 1: ‘In a SWOT analysis, improvements in infrastructure are a strength for a business.’**

**STATEMENT 2: ‘In a SWOT analysis, an increase in the minimum wage may be a threat to a business.’**

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



- 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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**Based on Kaplan & Norton's Balanced Scorecard model, a policy to increase Research and Development spending on new products by 5% would be an element of the:**

- A customer perspective.**
- B financial perspective.**
- C internal business process perspective.**
- D learning and growth perspective.**

**[1 mark]**





1	3
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**Which one of the following is LEAST likely to be an advantage of operating in a niche market for a small business?**

**A Economies of scope**

**B Focused marketing**

**C Less competition**

**D Opportunity for tailor-made products**

**[1 mark]**

**[Turn over]**



1	4
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**STATEMENT 1: ‘An emergent strategy only occurs in response to external change.’**

**STATEMENT 2: ‘Strategic drift occurs whenever a business changes a planned strategy.’**

**READ STATEMENTS 1 AND 2 and select the correct option from the following options:**



- 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	5
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**A business's decision to increase its level of capital expenditure is most likely to:**

- A achieve long-term growth.**
- B achieve short-term profits.**
- C avoid cash flow problems.**
- D reduce gearing levels.**

**[1 mark]**

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



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**[Turn over]**



## **SECTION B**

**Answer ALL questions in this section.**

**Questions 16, 17 and 18 are based on the data provided in TABLE 1 below.**

**TABLE 1 includes all of Magpie plc's current assets and current liabilities at the end of its financial year, ending 31 March 2021. The inventory level on 31 March 2021 is identical to the average level of inventory held during the year.**



**TABLE 1 Extracts from financial accounts of Magpie plc**

<b>ITEM</b>	<b>(£m)</b>
<b>Sales revenue</b>	<b>80</b>
<b>Cost of sales</b>	<b>50</b>
<b>Bank overdraft</b>	<b>7</b>
<b>Inventory</b>	<b>8</b>
<b>Payables</b>	<b>12</b>
<b>Receivables</b>	<b>17</b>

**[Turn over]**



1 6

**Calculate the inventory turnover of Magpie plc. [2 marks]**

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17

**Calculate the payables days for Magpie plc. [3 marks]**

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**[Turn over]**

      
**3**



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**Calculate the current ratio for Magpie plc.  
[3 marks]**

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**1 9**

**Analyse why non-profit organisations set financial objectives. [9 marks]**

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**[Turn over]**

<b>9</b>



20

**Analyse how widening a manager's span of control might affect labour productivity within the department she manages.**

**[9 marks]**

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**Analyse why a business might choose to use labour intensive processes rather than capital intensive processes.**

**[9 marks]**

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**[Turn over]**

9

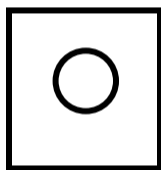


**SECTION C**

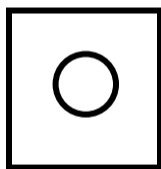
**Answer EITHER Question 22 OR Question 23.**

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

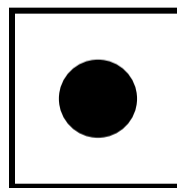
**Question 22**



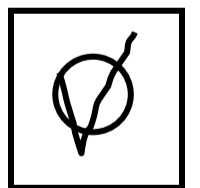
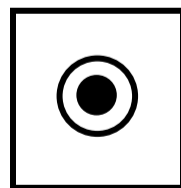
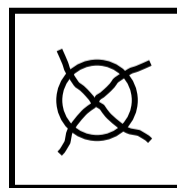
**Question 23**



**CORRECT METHOD**



**WRONG METHODS**



**EITHER**

**2 2**

**To what extent might the use of the Boston Matrix enable a multi-product business to achieve overall sales growth?  
[25 marks]**

**OR**

**2 3**

**Will the increased use of e-commerce lead to all retailers operating only online?**

**Justify your view. [25 marks]**

**[Turn over]**







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**[Turn over]**

<b>25</b>



**SECTION D**

**Answer EITHER Question 24 OR Question 25.**

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

**Question 24**

**Question 25**

**CORRECT METHOD**

**WRONG METHODS**



**EITHER**

**2 4**

**Evaluate the extent to which the actions of the finance function of a business can help that business to achieve the lowest cost in its market. [25 marks]**

**OR**

**2 5**

**Businesses using flexible employment contracts can be criticised for being unethical.**

**To what extent should businesses avoid the use of flexible employment contracts? [25 marks]**

**[Turn over]**





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**[Turn over]**



































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For Examiner's Use	
Question	Mark
Section A	
16	
17	
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22	
23	
24	
25	
<b>TOTAL</b>	

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