Modified Enlarged 18pt

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Thursday 9 January 2020 – Morning

Level 1/2 Cambridge National in Enterprise and Marketing

R064/01 Enterprise and marketing concepts

Time allowed: 1 hour 30 minutes
plus your additional time allowance

YOU CAN USE:
a calculator

Please write clearly in black ink.

Centre number | | | | | |

Candidate number | | | | |

First name(s) _____

Last name _____

READ INSTRUCTIONS OVERLEAF

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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 number.

Answer ALL the questions.

INFORMATION

The total mark for this paper is 80.

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

ADVICE

Read each question carefully before you start your answer.

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SECTION A

Answer ALL the questions.

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

1 Which of the following is a disadvantage of running a business as a partnership? [1]

(a) Can share ideas to expand the business ☐

(b) Limited legal requirements ☐

(c) Must share profit amongst the shareholders ☐

(d) Unlimited liability ☐

2 Which of the following is a purpose of market research? [1]

(a) It is a legal requirement to start a new business ☐

(b) To advertise a new product ☐

(c) To aid decision making ☐

(d) To increase risk ☐

3 Which of the following is a stage of the product lifecycle? [1]

(a) Development ☐

(b) Downturn ☐

(c) Profit ☐

(d) Recession ☐

4 Which of the following is a feature of a small business grant? [1]

(a) A limited amount of funds are generally available ☐

(b) Only sole traders can apply for a grant ☐

(c) The grant provider will ask for a royalty fee ☐

(d) The need to make monthly repayments to repay the grant ☐

5 What is the name given to individuals who donate money to a crowdfunded project? [1]

(a) Lenders ☐

(b) Owners ☐

(c) Shareholders ☐

(d) Sponsors ☐

6 Which of the following is NOT an activity of the Operations functional area? [1]

(a) Health and safety in the workplace ☐

(b) Production planning ☐

(c) Quality control ☐

(d) Stock control ☐

7 Which of the following can be used by a business owner to outline the business goals and objectives for the coming year? [1]

(a) Business plan ☐

(b) Mintel report ☐

(c) The product lifecycle ☐

(d) Trade magazine ☐

8 **Maisey runs a business that sells fruit smoothies. The selling price of each smoothie is £1.50 and the variable cost to make each one is 80p. Maisey's fixed costs are £7000 per year.**

The formula to calculate the break-even point is

$$\frac{\text{Fixed costs}}{\text{Selling price per unit} - \text{Variable cost per unit}}$$

How many smoothies does Maisey need to sell each year to break-even? [1]

(a) 100 ☐

(b) 1000 ☐

(c) 10 000 ☐

(d) 100 000 ☐

9 **Advertising and changing the packaging of a product are both examples of which of the following? [1]**

(a) Competitive pricing ☐

(b) Extension strategies ☐

(c) Market research ☐

(d) Market segmentation ☐

10 The graph shows the sales revenue generated by a business. The figures for 2020 and 2021 are forecasts.

Which stage of the product lifecycle is the business at by the end of 2019? [1]

(a) Decline ☐

(b) Growth ☐

(c) Introduction ☐

(d) Maturity ☐

11 Sophie runs a small shop selling pet food. During the month of April she sold 55 packets of dog food at a price of £1.55 and her total costs were £350. How much revenue did Sophie generate in April? [1]

(a) −£264.75 ☐

(b) £6.36 ☐

(c) £85.25 ☐

(d) £542.50 ☐

12 Which source of capital for a business start-up is MOST likely to be offered by a group of investors? [1]

(a) Bank loan ☐

(b) Business angel ☐

(c) Crowdfunding ☐

(d) Small business grant ☐

13 Which of the following is used to stop a competitor copying a new product idea? [1]

(a) Competitive pricing ☐

(b) Limited liability ☐

(c) Patent ☐

(d) Registering with HMRC ☐

14 Break-even information may help with decisions about:

(a) Customer feedback ☐

(b) Market research ☐

(c) Pricing ☐

(d) Product safety standards ☐ **[1]**

15 Which of the following is NOT an example of a functional area within a business? [1]

(a) Advertising ☐

(b) Finance ☐

(c) Human Resources ☐

(d) Operations ☐

16 Which of the following groups always receives a share of any profit earned by a business? [1]

(a) Customers ☐

(b) Employees ☐

(c) Lenders ☐

(d) Owners ☐

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SECTION B

Answer ALL questions in this Section.

Last year you completed a two-week work experience placement at a household waste and recycling centre. You were shocked that some people throw away furniture which could be reused. You decided to use the knowledge gained from your Enterprise and Marketing course to set up a business called 'Second Chance'.

Your business will repair and restore furniture that the original owner no longer needs and sell it onto a new owner for a profit. You intend to employ an administrator for one afternoon per week to help you run your business.

Before you set up your business you decide to carry out some market research to help you segment your market.

17 (a) **State and explain ONE advantage and ONE disadvantage of using government publications and statistics as part of your market research.**

Advantage _____

_____

Explanation _____

_____

Disadvantage _____

_____

Explanation _____

_____

[4]

(b) **Identify TWO other secondary market research sources which you could use.**

1 _____

2 _____

[2]

18 (a) Explain the need for customer segmentation.

_____

_____

_____

_____ **[2]**

(b) Identify THREE benefits of using market segmentation for your business.

1 _____

2 _____

3 _____

[3]

19 State and explain TWO variables from the design mix model that will contribute to the successful design of the furniture that you sell.

Variable 1 _____

_____

Explanation _____

_____

Variable 2 _____

_____

Explanation _____

_____

[4]

20 To help meet your revenue and profit targets for your first year of business you decide to advertise.

Identify TWO advertising methods which you could use to attract customers to your new business.

Method 1 _____

Method 2 _____

[2]

21 Analyse ONE advantage and ONE disadvantage of using 'Buy One Get One Free' (BOGOF) to attract customers.

Advantage _____

_____

_____

_____

_____

_____

_____

_____

_____

Disadvantage _____

_____

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[6]

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22 You have identified that you need to pay the following fixed and variable costs each month to run your business:

Insurance	**£150**
Raw materials	**£300**
Advertising	**£100**
Utilities	**£100**
Components	**£50**

(a) Explain, using an example, what is meant by fixed costs.

_____

_____

_____

_____ **[2]**

(b) Calculate the total variable costs that you need to pay each year.

Show your workings

Answer _____

[2]

(c) Name the level of output where total revenue is equal to total costs.

_____ [1]

(d) You forecast that you will make a profit of £10 200 during your first year of business. Assuming that sales are the same each month, calculate the average revenue per month.

Show your workings

Answer _____

[3]

23 To help set up your business you have applied for a bank loan. The bank manager has asked for a business plan to support this application.

(a) Identify THREE items that are typically included in a business plan.

Item 1 _____

Item 2 _____

Item 3 _____

[3]

(b) Analyse TWO disadvantages of financing your business using a bank loan.

Disadvantage 1 _____

_____

_____

_____

_____

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_____

Disadvantage 2 _____

_____

_____

_____

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_____

_____

_____

[6]

24 A news report states that the economy is about to enter a boom later this year.

(a) Analyse why an economic boom may have a negative impact on the development of your product.

_____

_____

_____

_____

_____

_____ **[3]**

(b) Apart from economic issues, identify TWO other external factors which may affect the development of your product.

1 _____

2 _____

[2]

25 Your friend, Tan, offers to help you run your business. Tan used to work in the Human Resources department of a large company.

(a) State and explain TWO Human Resource activities which Tan may help you with.

Activity 1 _____

_____

Explanation _____

_____

Activity 2 _____

_____

Explanation _____

_____

[4]

(b) From the list below, link each functional activity to its correct purpose with a line. [3]

Finance	Identifying the needs and wants of customers
Marketing	Managing the money in a small business
Operations	Organising the process that turns inputs into outputs

26 Three months after opening Second Chance you decide to obtain feedback from your customers.

State and explain TWO appropriate methods of obtaining customer feedback for your business.

Method 1 _____

_____

Explanation _____

_____

Method 2 _____

_____

Explanation _____

_____

[4]

27 Good customer service is important to attract and retain customers within your business.

You think that product knowledge is the most important way of delivering good customer service to Second Chance's customers. However, Tan is of the opinion that after sales service is more important.

Recommend which of these two customer service techniques is the most important for Second Chance. Justify your answer. [8]

END OF QUESTION PAPER

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