

Level 3 Cambridge Technical in Business

05834/05835/05836/05837/05878 Unit 1: The business environment

Time allowed: 2 hours

C420/2401

- a clean copy of the Pre-release (inside this document)

- a calculator



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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- 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.

- The total mark for this paper is **90**.
- The marks for each question are shown in brackets [].
- This document has **20** pages.

- 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 Which of these organisations operates in the third sector?

A HM Revenue & Customs (HMRC)

☐

B Lloyds Bank plc

☐

C Manchester City Council

☐

D Midlands Air Ambulance Charity

☐

[1]

2 Which functional area would be responsible for managing employee redundancies?

A Business support services

☐

B Finance

☐

C Operations management

☐

D Personnel

☐

[1]

3 The formula for calculating a firm's break-even point is:

A
$$\frac{\text{fixed costs}}{\text{selling price} - \text{variable cost per unit}}$$

☐

B
$$\frac{\text{fixed costs} - \text{variable cost per unit}}{\text{selling price}}$$

☐

C
$$\frac{\text{selling price}}{\text{fixed costs} - \text{variable cost per unit}}$$

☐

D
$$\frac{\text{selling price} - \text{variable cost per unit}}{\text{fixed costs}}$$

☐

[1]

4 Which is a **legal** consequence of failing to meet the requirements of the Equality Act?

A A damaged reputation

☐

B A fine

☐

C A loss of revenue

☐

D Bad publicity

☐

[1]

5 Which job roles are higher in status than a manager?

A Chief executive and director

☐

B Director and operative

☐

C Operative and supervisor

☐

D Supervisor and chief executive

☐

[1]

6 Which of the following is **most** likely to be an objective of a trade union?

A To agree higher dividend payments for shareholders

☐

B To improve the working conditions of its members

☐

C To increase risk and uncertainty for employees

☐

D To weaken employee protection legislation

☐

[1]

- 7 A business sells personalised T-shirts. Business costs for the coming year are forecast to total £98 000. The business expects to sell:
- 900 adult-size T-shirts priced at £48 per T-shirt
 - 1600 child-size T-shirts priced at £24 per T-shirt.

In the coming year, the business is expected to make:

- A a loss of £16 400
- B a loss of £179 600
- C a profit of £16 400
- D a profit of £179 600

☐
☐
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☐

[1]

- 8 A restaurant is experiencing a decrease in the amount of competition.
How is the restaurant **most** likely to respond to this change in its external environment?

- A By employing fewer waiters
- B By increasing its dining capacity
- C By offering a smaller variety of meals
- D By reducing its opening hours

☐
☐
☐
☐

[1]

- 9 Comparing actual revenue at the end of the year with objectives set at the beginning of the year helps a business to:

- A advertise its unique selling point
- B assess its financial performance
- C increase its share of the market
- D produce a statement of financial position

☐
☐
☐
☐

[1]

10 Which of these tasks would be done by a research and development assistant who works for a bicycle manufacturer?

A Checking the quality of the bicycles that come off the production line

☐

B Designing a new range of bicycles for pre-school children

☐

C Launching a marketing campaign for a new range of e-bikes

☐

D Searching for the cheapest supplier of bicycle tyres

☐

[1]

11 The correct term for the movement of money into and out of a business is:

A benchmarking

☐

B cash flow

☐

C procurement

☐

D remuneration

☐

[1]

12 The Companies Act governs:

A private limited companies only

☐

B private limited companies and public limited companies only

☐

C private limited companies, public limited companies and community interest companies

☐

D public limited companies only

☐

[1]

- 13** An electrician has been hired to install an electric fire for a customer.
Which of the following is **not** a requirement of the Consumer Rights Act?

- A** The electrician must install the fire in a reasonable period of time
- B** The electrician must install the fire using reasonable skill
- C** The electrician must install the fire with reasonable care
- D** The electrician must install the fire with reasonable courtesy

☐
☐
☐
☐

[1]

- 14** An extract from an entrepreneur's cash flow forecast is shown below.

	February	March	April
Cash inflows	£400 000	£450 000	£490 000
Cash outflows	£370 000	£680 000	£320 000
Opening balance	£60 000	£90 000	(£140 000)
Closing balance	£90 000	(£140 000)	£30 000

The entrepreneur's net cash flow in **March** is expected to be:

- A** –£50 000
- B** –£230 000
- C** –£360 000
- D** –£540 000

☐
☐
☐
☐

[1]

- 15** The main purpose of tertiary business activity is to:

- A** extract raw materials
- B** manufacture products
- C** provide a service
- D** raise money for charity

☐
☐
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☐

[1]

16 One positive impact of the Data Protection Act on customers is that it gives them the right to:

- A** claim a refund if the goods they buy are faulty
- B** have incorrect information about themselves amended
- C** obtain personal information about their family and friends
- D** sue a business that supplies unsafe goods

☐
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[1]

17 Empowerment is:

- A** a category of discrimination that leads to unfair dismissal
- B** a strategy that enables employees to make business decisions
- C** the passing of the responsibility for a task to a subordinate
- D** the reward for being an entrepreneur

☐
☐
☐
☐

[1]

18 Production involves converting:

- A** enquiries into sales
- B** inputs into outputs
- C** revenue to profit
- D** risk into reward

☐
☐
☐
☐

[1]

19 A business is conducting a SWOT analysis.

In which two sections of the SWOT analysis could a change in cultural beliefs be correctly recorded?

A A strength or an opportunity

☐

B A threat or a weakness

☐

C A weakness or a strength

☐

D An opportunity or a threat

☐

[1]

20 A business publishes a 10% discount code on social media despite struggling to meet current demand.

This is an example of poor interrelationships between:

A the finance function and the customer services function

☐

B the IT function and the procurement function

☐

C the marketing function and the operations management function

☐

D the sales function and the human resources function

☐

[1]

Section B

All of the questions in this section should be answered in relation to businesses you have researched. A clean copy of the research brief is provided.

- 21** Identify **two** financial factors and **two** non-financial factors that have contributed to the success of a business you have researched.

Name of business

Activity of business

Financial factor 1

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Financial factor 2

.....

Non-financial factor 1

.....

Non-financial factor 2

.....

[4]

- 22** Explain how a pressure group has attempted to alter the behaviour of a business you have researched.

Name of business

Activity of business

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[2]

- 23** Analyse **one** advantage and **one** disadvantage for a business you have researched of having a tall organisational structure.

Name of business

Activity of business

Advantage

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Disadvantage

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[6]

- 24** Describe **two** ways a business you have researched complies with the Health and Safety at Work Act.

Name of business

Activity of business

1

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2

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[4]

- 25** Describe how a business you have researched has responded to falling levels of disposable income in the UK.

Name of business

Activity of business

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[4]

Section C

Read the business scenario below.

Business scenario: Jack's window cleaning business

Jack is a sole trader. He cleans windows on the housing estate where he lives. Jack set up the business eight years ago after his first child was born with a mild disability. By working for himself, and working close to home, Jack thought that running his own business would make it easier for him to be there for his wife and young family when they needed him. Jack started the business with £600 (for ladders, buckets and other essential items, cleaning fluid and public liability insurance) plus a second-hand van. The housing estate is large but Jack works by himself, he does not have any employees. Up until now the sole aim of the business has been 'survival'.

Jack used to clean windows Monday to Thursday from 8 am to 2 pm, leaving plenty of time for other tasks such as ordering supplies and recording payments. However, as the years have gone by he has taken on more and more work. The family relies on the income the business provides. Jack and his wife now have three children and life at home can be busy and stressful.

Jack thinks that charging reasonable prices and meeting the ever-increasing needs of his customers is the key to business success. Over the years, in response to customer needs, he has added other services including the cleaning of hot tubs, greenhouses, caravans and house guttering. Recently, at the request of more elderly customers, he has created a pricelist for small non-cleaning jobs, for example changing lightbulbs or fitting a new toilet seat. Jack often returns home at the end of a working day tired but with a sense of satisfaction.

Last week, Jack met with Darcie, a fellow sole trader, who cleans windows on an estate on the other side of town. Darcie suggested joining their two businesses together and operating as a partnership. She showed Jack a copy of her business' income statement for last year. A table showing the financial performance of each of their window cleaning businesses for the year ending December 2023 is shown in **Fig. 1** below.

Fig. 1:

	Jack's window cleaning business		Darcie's window cleaning business	
	£'000	£'000	£'000	£'000
Revenue (from cleaning windows)	35		44	
Revenue (from other services)	14		0	
Total revenue		49		44
Cost of sales		1		1
Gross Profit		48		43
Expenses		10		5
Operating Profit		38		38
Bank loan interest paid		0		2
Net Profit		38		36

Jack rejects Darcie's suggestion. He has decided that despite wanting to expand his business, he wants to remain as a sole trader. Instead, he will expand his business by recruiting three employees as assistant window cleaners. One employee will work on his estate with him and the other two employees will work on a neighbouring estate. Jack thinks he will make a good boss and wants to be known as an ethical employer. He wonders how he might best achieve this.

Jack estimates that this expansion will cost approximately £10 000. This includes buying another second hand van and then purchasing personal protective clothing, ladders, buckets and other cleaning equipment for each of the three assistant window cleaners. Jack will also need employers' liability insurance in addition to his public liability insurance. As there are no internal funds, Jack decides to fund the expansion using a short-term external source of finance.

..... [1]

[12]

[illegible]

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28

- (a) Identify each of the following items as either a fixed cost, a variable cost or a non-current asset for a window cleaning business.

Item:	Fixed cost, variable cost or non-current asset?
Cleaning fluid	
Ladders	
Public liability insurance	

[3]

- (b) Use the information shown in **Fig. 1**.

- (i) Identify two aspects of the financial performance of Jack's window cleaning business that were **better** than Darcie's window cleaning business in 2023.

1

2 [2]

- (ii) Identify two aspects of the financial performance of Jack's window cleaning business that were **worse** than Darcie's window cleaning business in 2023.

1

2 [2]

- (c) Explain why the 'cost of sales' figures for Jack's and Darcie's window cleaning businesses are low.

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..... [2]

- 29** Explain **two** advantages for Jack of operating his window cleaning business as a sole trader rather than as a partnership.

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[4]

- 30** Jack has decided to remain as a sole trader. He intends to expand his business by recruiting three employees.

Advise Jack on ways to treat his employees ethically.

Which one of these ways should Jack prioritise? Justify your view.

[12]

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- 31** Analyse **three** short-term external sources of finance that Jack could use to fund the expansion of his business.

Which one of these three sources should Jack use? Justify your view.

[12]

This image shows a full page of white paper with horizontal dashed lines, typical of primary school handwriting practice paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

END OF QUESTION PAPER



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