



# NCFE Level 1/2 Technical Award in Business and Enterprise (603/2955/5)

Unit 01 Introduction to business and  
enterprise

Past Paper

Friday 29 November 2019

9.00 am–10.30 am

Time allowed: 1 hours 30 minutes

## Learner instructions

- Use black or blue ink.
- Answer **all** questions.
- Read each question carefully.
- You **must** write your responses in the spaces provided.
- You may do rough work in this answer book. Cross through any work you do not wish to be marked.
- All of the work you submit **must** be your own.

## Learner information

- The marks available for each question are shown in brackets.
- The maximum mark for this paper is 80.
- You may use a calculator.

Please complete the details below clearly and in BLOCK CAPITALS.

Learner name \_\_\_\_\_

Centre name \_\_\_\_\_

Learner number

Centre number

To be completed by the examiner			
Question	Mark	Question	Mark
1		15(a)	
2		15(b)	
3		16	
4		17	
5		18	
6		19	
7		20(a)	
8		20(b)	
9		21(a)	
10		21(b)	
11		22	
12		23	
13		24	
14(a)		25	
14(b)		26	
		TOTAL MARK	

**Do not turn over until the invigilator tells you to do so.**

## Section 1

This section has a possible 8 marks.

We recommend that you spend about 10 minutes on this section.

Answer **all** questions in the spaces provided.

- 1 Which **one** of the following is an advantage to an entrepreneur if she sets up her business as a private limited company?

[1 mark]

- A Increases her ability to raise finance
- B It will cost her less to set up compared with setting up as a sole trader
- C She will have unlimited liability
- D The risk of her losing personal assets is increased

Answer \_\_\_\_\_

- 2 Which **one** of the following would be a non-financial objective for a business?

[1 mark]

- A Improving its customer satisfaction ratings
- B Increasing sales revenue
- C Profit maximisation
- D Reducing its break-even point

Answer \_\_\_\_\_

- 3 Which **one** of the following is an advantage of buying a franchise rather than opening up your own business?

[1 mark]

- A The franchisee can buy supplies from any supplier
- B The franchisee has complete control over all business decisions
- C The franchisee will receive financial support from the franchisor
- D The franchisee will receive training from the franchisor

Answer \_\_\_\_\_

- 4 Which **one** of the following is an example of primary market research? [1 mark]
- A Magazines with interviews from consumers
  - B Newspaper articles
  - C Published government statistics
  - D Telephone surveys

Answer \_\_\_\_\_

- 5 Which **one** of the following taxes would a limited company pay on their profits? [1 mark]
- A Corporation Tax
  - B Excise Duty
  - C Income Tax
  - D National Insurance

Answer \_\_\_\_\_

- 6 A restaurant chain has increased its sales revenue over the summer months. Which **two** of the following might be reasons for this rise in sales revenue? [2 marks]
- A An increase in UK families choosing a holiday in the UK rather than abroad
  - B Interest rates stayed the same
  - C Rival restaurant chains launched special offers
  - D The restaurant chain increased the wages paid to its staff
  - E The restaurant raised prices by 5%

Answer \_\_\_\_\_ and \_\_\_\_\_

7

A business decides to de-layer its organisation.

Which **one** of the following will be a possible disadvantage to the business?

[1 mark]

- A Messages have to pass through fewer levels of hierarchy
- B Some employees will need to take on new responsibilities and may need retraining
- C The overall cost of salaries falls
- D Workers are more empowered as more authority is passed down the hierarchy

Answer \_\_\_\_\_

## Section 2

This section has a possible 51 marks.

We recommend that you spend 50 minutes on this section.

Answer **all** questions in the spaces provided.

- 8 Identify **one** diseconomy of scale. [1 mark]

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- 9 Identify **one** source of finance that is available to limited companies that is **not** available to sole traders. [1 mark]

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- 10 Identify **one** method of lean production. [1 mark]

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- 11 Identify **two** characteristics of a mass market. [2 marks]

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2 

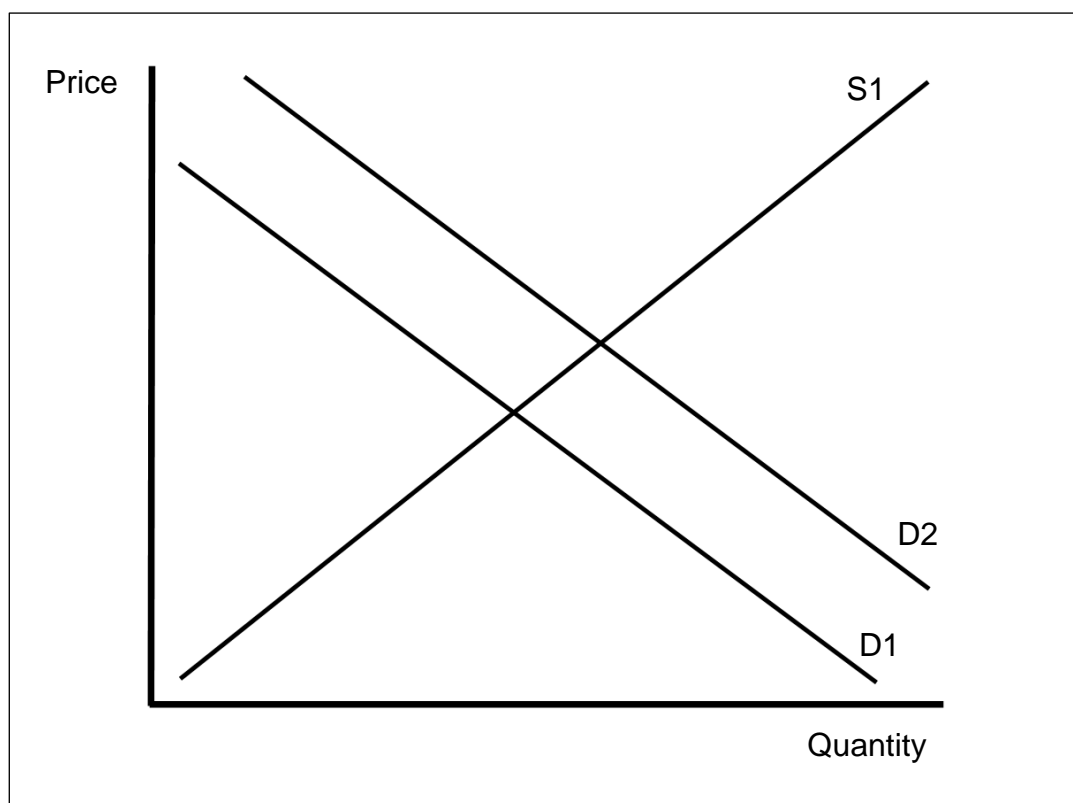
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12

The diagram below shows the market supply and demand for ice cream during a hot summer. The original market supply and demand curves are labelled S1 and D1. The change in demand is shown by the demand curve labelled D2.



Identify how the change in demand will have affected the equilibrium price **and** total market sales.

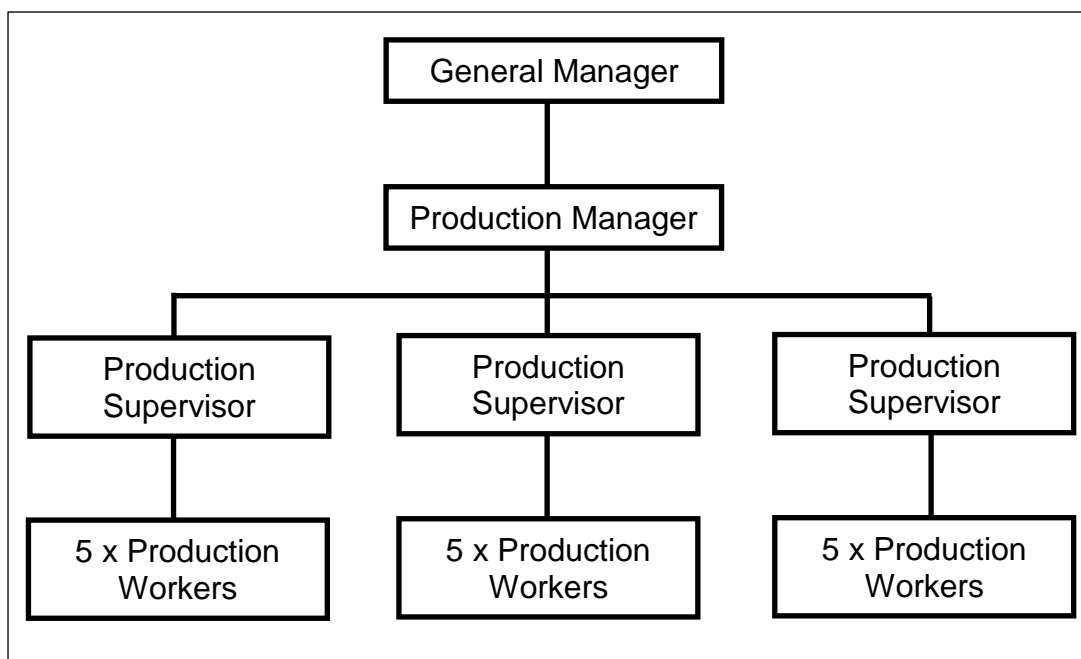
[2 marks]

The equilibrium price \_\_\_\_\_

Total market sales \_\_\_\_\_

13

Below is a section of a business organisation chart.



Use the information from the business organisation chart above.  
Explain the term 'span of control'.

**[2 marks]**

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Please turn over for the next question.

**14** A business started up as a product orientated business but recently its marketing department made use of a focus group for the first time.

**14 (a)** Describe the focus group method of market research.

**[2 marks]**

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**14 (b)** Explain **one** advantage to a business of using a focus group.

**[2 marks]**

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**15** A village shop employs two part-time staff. They are paid 5p per hour more than the current living wage. The shop has recently taken out a bank overdraft of £5,000.

Explain how the changes in the external influences listed below may affect this shop.

**15 (a)** An increase in the living wage by 12p per hour.

**[2 marks]**

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**15 (b)** A decrease in interest rates.

**[2 marks]**

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16

The village shop owners decide to reduce their opening hours by closing at 4pm rather than 5pm each day from November to April.

Explain the possible impact of this decision on **one** internal stakeholder and on **one** external stakeholder.

[4 marks]

Internal stakeholder: \_\_\_\_\_

Impact: \_\_\_\_\_

External stakeholder: \_\_\_\_\_

Impact: \_\_\_\_\_

17

XaX manufactures cosmetic products such as eyeliners, mascara, lipsticks, and skin care products.

Explain **two** methods of promotion that XaX could use to increase sales of its products.

[4 marks]

Method 1: \_\_\_\_\_

Method 2: \_\_\_\_\_

18

XaX's products all contain microplastics which are damaging the environment.

XaX operates in a highly competitive market and is seen by many consumers as the "number one brand". Last year XaX made a net profit of £500m.

The directors have decided to stop the use of microplastics in XaX products. To achieve this they estimate that:

- £100m will need to be spent on new production methods
- XaX products will be 10% more expensive to manufacture.

Analyse **one** advantage and **one** disadvantage to XaX that will arise from its decision to stop the use of microplastics in its cosmetics.

[6 marks]

Advantage

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Disadvantage

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19

SSS Ltd manufactures video doorbells. The directors of SSS Ltd are keen for more shops to sell its products. SSS Ltd is recruiting a team of five travelling salespeople. They will visit shops that sell security equipment to households to persuade the owners to stock the video doorbells. The salespeople are provided with a car and will need to stay in hotels two nights per week.

Explain **two** appropriate methods of remuneration (pay) that SSS Ltd could use to improve the performance of its travelling salespeople.

**[4 marks]**

Method 1 \_\_\_\_\_

\_\_\_\_\_

Method 2 \_\_\_\_\_

\_\_\_\_\_

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**20** SSS Ltd very quickly established a reputation for producing a range of high-quality, innovative video doorbells. This enabled SSS Ltd to charge high prices.

However, competition in the video doorbell market is increasing with similar products now being sold at a price 25% below that charged by SSS Ltd. The directors fear that SSS Ltd's sales will now fall.

**20 (a)** Identify **one** appropriate pricing strategy that SSS Ltd could choose to prevent a fall in sales.

[1 mark]

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**20 (b)** Analyse how this pricing strategy may affect the reputation of SSS Ltd's products.

[3 marks]

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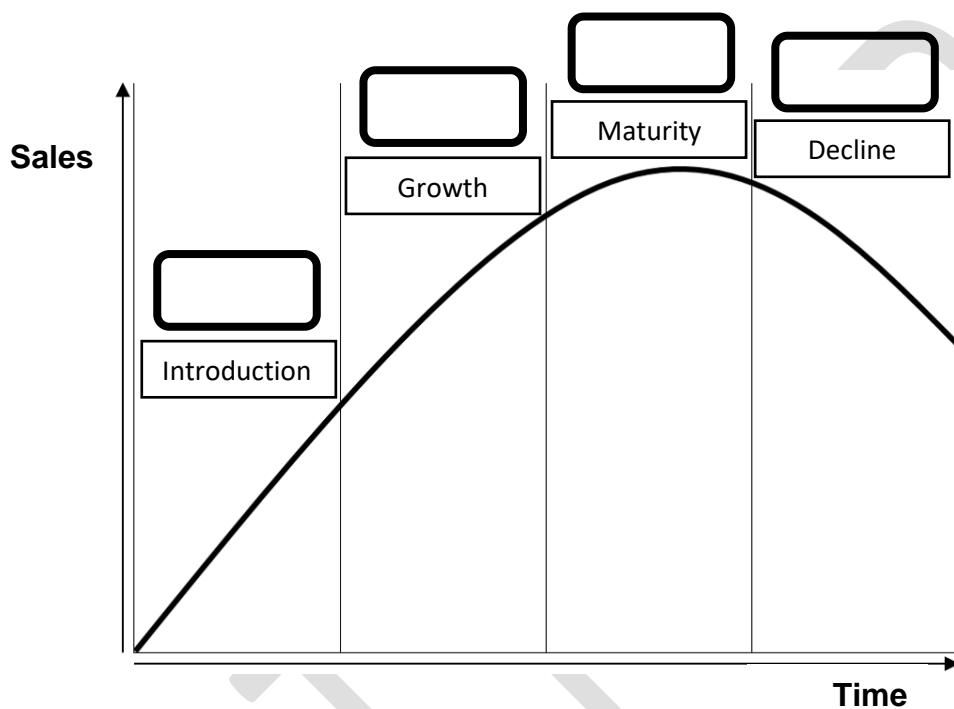
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- 21** SSS Ltd's latest video doorbell has a built-in video recorder. It was launched in 2018. After a slow start, sales have increased each month for the last 18 months.

- 21 (a)** In which stage of the product life cycle should this product currently be placed? Put an X in one of the boxes below.

[1 mark]



- 21 (b)** Analyse the impact on profitability if the product is in this stage of the product life cycle.

[3 marks]

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**22**

SSS Ltd has a reputation for producing high quality, innovative products. The technology used in its video doorbells changes regularly. SSS Ltd has a small design team of skilled specialists that refine SSS Ltd's products to make them "state of the art". These skilled specialists receive three days annual off-the-job training from experts in the field of video doorbell technology.

Analyse why SSS Ltd uses off-the-job rather than on-the-job training.

**[4 marks]**

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**23**

SSS Ltd's customer service department offers 24x7 telephone technical support for customers who have problems with their video doorbells.

In its advertisements it boasts that all calls are answered within 90 seconds.

SSS Ltd has no plans to recruit more staff for its customer service department. Sales of SSS Ltd video doorbells have risen dramatically in the last 4 months.

Analyse the possible impact of the increased sales on SSS Ltd's ability to maintain customer service levels.

**[4 marks]**

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Please turn over for the next question.

### Section 3

This section has a possible 21 marks.

We recommend that you spend 30 minutes on this section.

Answer **all** questions in the spaces provided.

**24** SSS Ltd produces three versions of its video doorbells:

Sales of the latest model, Model C, are rising rapidly and SSS Ltd's own research suggests this growth will continue next year.

Currently, all three models are made using batch production. SSS Ltd is considering switching to flow production for Model C. New equipment will be needed if this goes ahead. This equipment will have a useful life of 10 years.

Recommend to SSS Ltd directors if it should change from batch to flow production for Model C. In your answer explain an advantage and a disadvantage to SSS Ltd from this change.

**[6 marks]**

Advantage

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Disadvantage

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Recommendation

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25

SSS Ltd have had increasing complaints from customers in the last month about Model C. SSS Ltd discovered that a missing rubber seal had allowed rain to find a way into the video doorbells and damaged the electronic components.

SSS Ltd currently uses a system of quality assurance rather than quality control.

Recommend to SSS Ltd directors if it should change to a system of quality control. In your answer explain an advantage and a disadvantage to SSS Ltd from this change.

**[6 marks]**

Advantage

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Disadvantage

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Conclusion

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26

SSS Ltd needs a larger factory.

SSS Ltd employs 35 skilled staff in the production department who all live within 5 miles of the factory unit.

The directors are considering two sites for its new factory:

**Site A**

- One mile away from the current factory.
- The rent is 10% higher than the rent of their current factory.
- It is 25% bigger than Site B.

**Site B**

- 50 miles away from the current factory and owned by a local council.
- The council has offered it rent free for 2 years and then at the same rent that SSS Ltd would pay for Site A.
- This site is exactly the right size for SSS Ltd.

Discuss which site SSS Ltd's directors should choose.

Explain **one** advantage and **one** disadvantage of each site.

Recommend which site SSS Ltd should choose and justify your decision.

**[9 marks]**

**Site A**

Advantage

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Disadvantage

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**Site B**

Advantage

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Disadvantage \_\_\_\_\_

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Recommendation \_\_\_\_\_

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