

External Assessment
SAMPLE PAPER

NCFE Level 1 Technical Award in Business and Enterprise (603/0835/7)
NCFE Level 2 Technical Award in Business and Enterprise (603/0838/2)

Paper number: **SAMPLE PAPER**
Assessment date: N/A

Centre name		Centre number	
Full name		Learner number	

Learner declaration: I confirm that the work contained in this external assessment is all my own work. My full name above is my registered name with NCFE. Learner's signature:		Date:
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Time allowed: 2 hours

You will need a calculator and pen.

Total marks: 90

- Complete the information required above.
- Read each question carefully.
- Write your responses to the tasks in the spaces provided. If you need more space, you may use extra paper. Make sure any extra paper is labelled clearly with your name, Centre name, Centre number and learner number, and is securely attached to the appropriate answer booklet.
- All of the work you submit **must** be your own.
- You **must** attempt all questions.
- The marks available for each question are shown in brackets.

Do not turn over your paper until the Invigilator tells you to.

	Final marks	Total marks
Section A		
Section B		
Section C		

Section A

You should spend about 15 minutes on this section.

12 marks available.

Attempt to answer all questions.

Put a tick in the box next to the **ONE** correct answer for the question below.

1. Many entrepreneurs choose to buy a franchise such as Domino's Pizza.

Which of the following is a reason for this?

- A. It reduces the risk to the entrepreneur
- B. The franchise company will pay the entrepreneur to start a franchise
- C. The franchise company pays all the running costs
- D. The entrepreneur receives royalty payments

(1 mark)

2. Tesco, the large supermarket chain, is a Public Limited Company.

Which one of the following sources of finance is **ONLY** available to a limited company?

- A. Retained profit
- B. Overdraft
- C. Share capital
- D. Trade credit

(1 mark)

3. The car manufacturer Toyota has both internal and external stakeholders.

Which of the following is an example of an external stakeholder?

- A. The managing director
- B. Suppliers who provide the paint
- C. The employees that work in the car factory
- D. The staff that test drive the cars

(1 mark)

4. A global online retailer collects large amounts of quantitative data.

Which of the following is an advantage of this?

- A. The information provides in-depth opinions and views
- B. Data is usually gathered from only a few individuals
- C. Information is easy to summarise and compare
- D. Interviews are not limited to specific questions

(1 mark)

5. A small business sells 250 coats per month priced at £12.00 each. The costs are identified in the table below.

Calculate its monthly profit.

Total variable cost this month	£1,000
Total fixed cost per month	£1,200

Tick the monthly profit for this business from the options below.

- A. £1800
- B. £8,000
- C. £80
- D. £800

(1 mark)

6. John is a hairdresser who has written a business plan to start his own business.

Which of the following is **least** likely to be included in the section on marketing?

- A. The prices he will charge for a haircut
- B. The salon running costs
- C. How he plans to promote his salon
- D. Where he will locate his salon

(1 mark)

7. The most popular product of a large national bakery is the sausage roll. This can be described as a 'cash cow'.

A cash cow is:

- A. a product with a low market share and low rate of market growth
- B. a product with a high market share and a high rate of growth
- C. a product with a low market share and a high rate of growth
- D. a product with a low rate of market growth and a high market share

(1 mark)

8. A large multi-national car manufacturer is in the process of making 400 of its senior managers redundant.

The most likely reason for this is:

- A. to keep its costs down
- B. to motivate the remaining workforce
- C. to encourage recruitment
- D. to reduce staff turnover

(1 mark)

9. When Unilever launches a new washing powder it often chooses penetration pricing.

Identify the most likely reason for doing this.

- A. To boost sales
- B. To boost profits
- C. It is selling in a niche market
- D. It has no competitors

(1 mark)

10. Apple is often described as a product-oriented company.

Which of the following is an advantage of being product oriented?

- A. Products match customer needs
- B. Costs of market research are high
- C. Lots of market testing is required
- D. Focus is on the quality of its product

(1 mark)

11. Coca-Cola carries out a great deal of promotional activity.

Which of the following is **NOT** an objective of promotional activity?

- A. To encourage employee loyalty
- B. To increase customer loyalty
- C. To differentiate its products from those of its competitors
- D. To repair a damaged reputation

(1 mark)

12. BUNS is an independent baker.

Its 3-month cash flow forecast is shown below. What is the value of the closing balance in May?

	April	May	June
Income	£7,900	£6,100	£7,200
Outgoings	£6,600	£10,100	£5,900
Net Cash Flow	£1,300	-£4,000	£1,300
Opening balance	£2,000	£3,300	-£700
Closing balance	£3,300	?	£600

- A. - £700
- B. -£7,000
- C. -£1,700
- D. -£17000

(1 mark)

SECTION B

You should spend about 1 hour and 15 minutes on this section.

60 marks available.

Attempt to answer all questions.

13.

NCFE Toys

NCFE Toys makes and supplies a niche market with high-quality, wooden, classic toys. The target market is parents who earn above average income and have young children.

Bobbie set up NCFE Toys when he was made redundant from his position as manager for a local toy shop when it closed down. He enjoyed working independently and had always wanted to be his own boss. Bobbie had some redundancy money but needed to raise additional start-up capital to rent and fully fit a city-centre shop that also had workshop and storage space.

He considered raising the required finance from the bank but decided to go into partnership with Shabreen, a local business angel who had been a successful entrepreneur.

13(a) Identify **TWO** skills or characteristics of an entrepreneur.

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(2 marks)

13(b) Explain **ONE** benefit to Bobbie of knowing the characteristics of his target market.

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(3 marks)

13(c) Identify **and** explain **TWO** operational considerations that Bobbie would need to take into account before he set up his business.

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(4 marks)

13(d) Evaluate if Bobbie was right to raise finance from Shabreen, the business angel, rather than taking out a loan.

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(6 marks)

14.

Before starting the business, Bobbie conducted some research to identify the potential costs of his business and also the average price his customers would be prepared to pay per toy.

He put the results into a table and carried out a break-even analysis. His aim for year one was to make a profit of £5,000.

Average selling price of each toy	£24.00
Variable cost per toy	£4.00
Annual fixed costs	£6,000

14(a) Identify **TWO** examples of annual fixed costs that NCFE Toys would have to pay.

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(2 marks)

14(b) Calculate the number of wooden toys that Bobbie must sell each year to break even.
Show your working.

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Number of sales to break even:

(3 marks)

14(c) Explain **TWO** reasons why carrying out a break-even analysis is useful to Bobbie.

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(4 marks)

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Bobbie rented a stand at a trade fair for toy manufacturers and retailers, and asked anybody who attended his stall to complete a questionnaire.

In addition, he set up a focus group made up of local parents who had young children. He did not carry out any secondary research.

14(d) Bobbie decided to use only primary research before starting his business. Evaluate whether this was a good decision.

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(6 marks)

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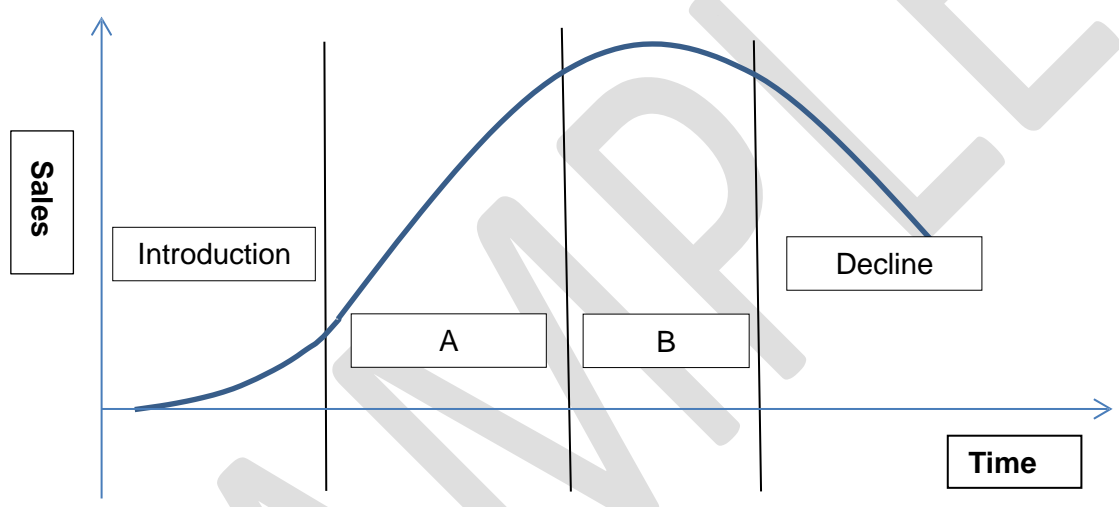
15.

The Play Kitchen was NCFE Toys best-selling toy with a high and steady level of sales, but after a while these started to decline. More worryingly, sales of all toys began to fall.

This could have been due to the opening of a large competitor store close by, or the closing of a large local employer. Bobbie believed there was still a market for his toys. He reviewed all the elements of the marketing mix for The Toy Shop and decided to carry out more promotion.

If this failed to attract more customers he would close the shop and sell entirely online.

15(a) Identify the **TWO** missing stages, A and B, of the product life cycle in the diagram below.



A.....
B.....

(2 marks)

15(b) Explain **ONE** suitable method of promotion that Bobbie could have used to improve sales of NCFE Toys.

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(3 marks)

15(c) Explain the impacts **TWO** external factors may have on NCFE Toys.

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(4 marks)

Despite his best efforts sales continued to fall and Bobbie closed the shop, making his only employee redundant. He rented a small industrial unit out of the town centre which he used as a workshop.

He set up an office in the unit so that the whole operation was located in one place. He upgraded the website so that customers could order online.

15(d) Since the shop has closed the business now only operates online. Evaluate whether this was a good decision.

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(6 marks)

16.

The move to selling online had the effect of rapidly increasing sales.

Bobbie could not produce toys quickly enough to meet the increased demand. He decided to recruit two new members of staff. He advertised for an apprentice to train in the production of the toys. The rate of pay for the apprentice was the living wage.

The other vacancy was for an office junior. To maintain cash levels, Bobbie only allowed a small budget of £50 for the recruitment process.

Before composing the advertisement he wrote a job description and person specification for both jobs.

Office Junior Wanted

Position: Office Junior
Location: Chester Business Park
Salary: £12,000 per annum

The Toy Store is a fast-growing online toy business. We are looking for an enthusiastic person to carry out general administration duties including answering the phone to customers. The successful candidate must have great people skills, be highly organised and IT literate.

Apply to ncetoys@toys.biz

16(a) Identify **TWO** elements of the job description that are in this advertisement.

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(2 marks)

16(b) Explain **ONE** benefit to Bobbie of writing a person specification for the position of office junior.

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(3 marks)

16(c) Explain the **advantages** of **TWO** external methods of recruitment that Bobbie could use.

Recruitment method 1:

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Recruitment method 2:

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(4 marks)

16(d) NCFE Toys continued to grow. Bobbie and Shabreen decided to change its legal status from being a partnership to being a private limited company (LTD). Evaluate whether you believe that this was the correct decision.

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(6 marks)

Section C

You should spend about 30 minutes on this section.

18 marks available.

Attempt to answer all questions.

17.

As NCFE Toys became a recognised brand, sales rose significantly. Sales to toy retailers were now responsible for 80% of NCFE Toys revenue, which increased profits.

However, these customers would only buy from NCFE Toys if they received at least 6 weeks' trade credit, which damaged NCFE Toys' cash flow.

However, NCFE Toys paid its suppliers far more quickly, usually within 14 days, in order to get a 10% discount.

In November and December the cash position was especially poor as Bobbie employed temporary staff to cope with the extra demand in the run up to Christmas.

NCFE Toys extract from 12-month cash flow forecast

	September	October	November	December
Income				
Sales revenue	£14,160	£14,360	£19,240	£20,840
Outgoings				
Purchase of raw materials	£3,760	£6,600	£7,000	£8,333
Wages	£6,000	£8,500	£8,500	£8,500
Rent and rates	£1,300	£1,300	£1,300	£1,300
Marketing	£300	£300	£500	£500
Other	£1,700	£1,800	£2,100	£2,100
Net cash flow	£1,100	-£4,140	-£160	£107
Opening balance	£500	£1,600	-£2,540	-£2,700
Closing balance	£1,600	-£2,540	-£2,700	-£2,593

18.

As the business grew and Bobbie employed more staff, output per employee fell.

Many of the wooden toys failed quality inspection and had to be reworked. It became more and more difficult to retain staff. As soon as they qualified, the apprentices left to work elsewhere and newly recruited office juniors only stayed for 3 months.

Bobbie paid the same rates of pay as other local employers but never involved the staff in any of the decisions made to do with NCFE Toys.

Bobbies considered different ways to motivate his staff.

SAMPLE

What you need to hand in after your external assessment

At the end of the timed external assessment you'll hand in the following to your Invigilator:

- this external assessment paper
- any extra paper you have used, securely attached.

Make sure that:

- all your work, including any extra paper, is clearly identified with your name, your Centre name, Centre number and your learner number
- you've signed the learner declaration on the front page of this external assessment paper.

If you have completed this assessment on a computer, your work must be printed out and attached to this external assessment. You must not submit any electronic evidence.

This is the end of the external assessment.

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