



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

Unit 01 Introduction to business and enterprise (H/616/8937)

Past Paper

Friday 22 March 2019

9.00am - 10.30am

Time allowed: 1 hour 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 external assessment is 80.
- You may use a calculator.

Please complete the details below clearly and in BLOCK CAPITALS.

Learner name

Centre name

Centre number

Learner number

To be completed by the examiner			
Question	Mark	Question	Mark
1		14	
2		15	
3		16	
4		17	
5		18	
6		19	
7		20	
8		21	
9		22	
10		23	
11		24	
12		25	
13		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 10 minutes on this section.

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

1 Which **one** of the following is a financial aim for a business? **[1 mark]**

- A** to diversify the business
- B** to encourage employee engagement
- C** to increase revenue
- D** to operate the business ethically

Answer _____

2 Which **one** of the following is a feature that applies to a sole trader? **[1 mark]**

- A** the company has a separate legal status
- B** the company must have a minimum of two shareholders
- C** the company's shares can be bought and sold on the stock exchange
- D** the owner has unlimited liability

Answer _____

3 Which **one** of the following is an external stakeholder in a business? **[1 mark]**

- A** employees
- B** managers
- C** suppliers
- D** the Chief Executive Officer (CEO)

Answer _____

4

Which **one** of the following is most likely to lead to a rise in demand for a business's products or services?

[1 mark]

- A an increase in employment
- B an increase in income tax rates
- C an increase in interest rates
- D an increase in the number of rival businesses

Answer _____

5 Which **one** of the following is a stage of the product life cycle?

[1 mark]

- A advertising
- B decline
- C manufacturing
- D research

Answer _____

6 A business manufactures bicycles. One of its bicycles is in the maturity stage of the product life cycle. Which **two** of the following are characteristics of the maturity stage of the product life cycle?

[2 marks]

- A advertising expenditure will have passed its peak
- B extension strategies may be used
- C falling sales
- D product has become unfashionable
- E profits are maximised

Answer 1 _____

Answer 2 _____

7 Which **one** of the following is a hygiene factor in Herzberg's theory of motivation? **[1 mark]**

- A** being given responsibility
- B** good working conditions
- C** recognition
- D** the opportunity to earn promotion

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** feature of a public limited company. **[1 mark]**

- 9** Identify **one** characteristic or skill that an entrepreneur will need to be successful. **[1 mark]**

- 10** Describe **two** features of a franchise. **[4 marks]**

1

2

11 Identify **two** characteristics of a niche market.

[2 marks]

1 _____

2 _____

12 Explain **two** ways that a 5% rise in the UK's Gross Domestic Product (GDP) might affect a business that builds new houses in the UK.

[4 marks]

1 _____

2 _____

13

Explain **two** benefits to a business from successfully engaging with its customers.

[4 marks]

14

Businesses have aims and objectives. One of these is to reach its break-even point. Break-even point is reached when total costs equal total revenue.

Explain why reaching the break-even point can be an important objective for a business.

[2 marks]

Please turn over for the next question.

- 15** A product is in the introductory stage of the product life cycle in a competitive market.

Explain how being in this stage of the life cycle affects a product's market share and advertising expenditure.

[4 marks]

- 16** Identify **one** method of maintaining and improving quality that a business might use.

[1 mark]

17

PP Arrow Ltd is based in a small town in the north of England. It is the town's largest employer. Unemployment locally is double the national average. The directors are considering closing one of its three factories which employs 100 workers and outsourcing production to China.

Discuss the potential impact on **two** of PP Arrow Ltd's stakeholders if this decision is implemented.

[6 marks]

[illegible]

Please turn over for the next question.

18

PP Arrow Ltd's pushchairs are currently targeted at families on average incomes. However, PP Arrow Ltd are considering launching a range of up-market and expensive prams aimed at high-income, image-conscious families. The marketing department have been tasked with finding out the features of these prams that are most important to purchasers.

Explain **two** market research methods that the marketing department could use to obtain the information required.

[4 marks]

1

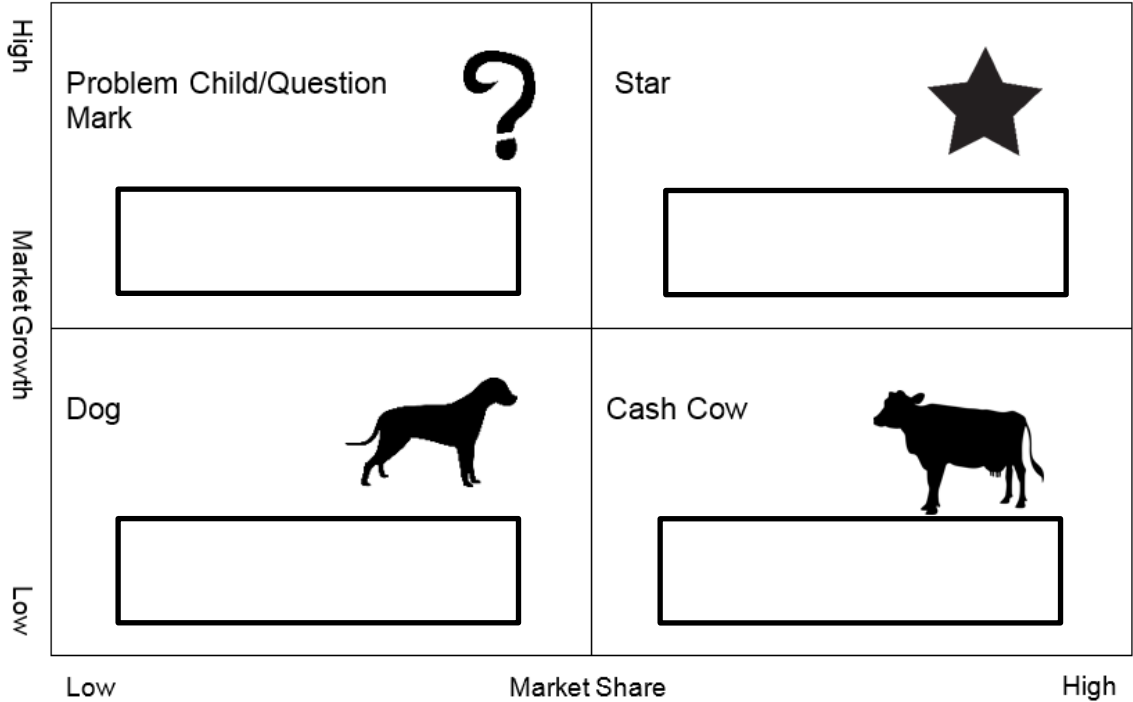
2

19

PP Arrow Ltd sells a range of products, including:

- Child car seats. This product was launched last year into a growing market, but sales have been disappointing and feedback from some customers suggests there are design issues with the product.
- A budget range of pushchairs. The market for this is growing slowly and its sales are poor and have fallen each year for the last three years.

Below is a Boston Matrix diagram. Write PP Arrow Ltd's **child car seat** and the **budget pushchair** into their correct segments (boxes provided).



[2 marks]

Please turn over for the next question.

20

Explain **two** methods that PP Arrow Ltd could use to measure its customer service levels.

[4 marks]

1

2

21

PP Arrow Ltd's most successful pushchair has now been on the market for 10 years. Sales have been declining for three years. Its replacement is under development but will not go on sale for 12 months. In the short-term, the directors have decided to launch a television advertising campaign for the current pushchair.

Analyse the advantages **and** disadvantages of this advertising campaign on PP Arrow Ltd's sales revenue and profits for the next 12 months.

[4 marks]

22

One of PP Arrow Ltd's factories employs 100 workers and is spread across four buildings on a large site. One building has offices used by managers and supervisors. The other three buildings are used for production. The production process is broken down into three stages, with each stage in a different building.

Explain **two** diseconomies of scale that this factory is likely to experience.

[4 marks]

23

The directors of PP Arrow Ltd want to raise efficiency levels in its factories and to adopt lean production methods.

Analyse **one** method of lean production that could be adopted by PP Arrow Ltd to improve efficiency in its UK factories.

[4 marks]

This section has a possible 21 marks.

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

There have been growing problems at PP Arrow Ltd's UK factories. Production line workers are on permanent contracts but a recent survey, distributed by the management, revealed that 95% were demotivated. Their complaints included:

- Factories are too hot in the summer and too cold in the winter.
- Pay rates are now lower than that offered by a similar factory nearby.
- A lack of contact with management and no feedback on how well they perform in their jobs.
- Workers have no say in how shifts are organised or how work is planned.

[6 marks]

Fast Pass

PP Arrow Ltd manufactures prams, pushchairs and child car seats in a very competitive market. Its products are only sold online and are not available in shops. Price is a key factor for many customers in this market. Many customers are price sensitive. PP Arrow Ltd has recently agreed a 5% wage rise for all its factory workers. It currently operates a competitive pricing strategy.

[6 marks]

This image shows a blank sheet of white paper with horizontal ruling lines. A large, light gray watermark reading "Test Paper" is oriented diagonally across the page. The watermark is positioned from the bottom-left towards the top-right. There are approximately 20 horizontal lines visible on the page.

26

PP Arrow Ltd made a profit of £3 million last year. It has no overdraft and no outstanding bank loans. Currently, it employs 300 people who each work 35 hours per week, and these are all paid above the Living Wage. Its products range in price from £100 to £600.

As part of its business planning, PP Arrow Ltd intends to put in place a plan to deal with unexpected changes from the external business environment. Each year, it chooses three different factors that might change and affect the business.

This year, it has chosen:

- an increase in VAT from 20% to 25%
- an increase in the Living Wage by 50p per hour
- a 0.25% cut in UK interest rates.

Evaluate the potential impact on PP Arrow Ltd of **each** of these three possible changes to the external business environment and evaluate which is likely to have the most impact on PP Arrow Ltd.

[9 marks]

Fast Pass

This is the end of the external assessment.

This page is left intentionally blank.

This page is left intentionally blank.

This page is left intentionally blank.