



Cambridge Pre-U

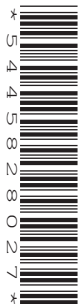
CANDIDATE
NAME

CENTRE
NUMBER

--	--	--	--	--

CANDIDATE
NUMBER

--	--	--	--



BUSINESS AND MANAGEMENT

9771/01

Paper 1 Business Concepts

October/November 2020

2 hours 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Section 1: answer **all** questions.
- Section 2: answer **all** questions.
- Section 3: answer **one** question.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.

INFORMATION

- The total mark for this paper is 100.
- The number of marks for each question or part question is shown in brackets [].
- The insert contains the case study.

This syllabus is regulated for use in England, Wales and Northern Ireland as a Cambridge International Level 3 Pre-U Certificate.

This document has **28** pages. Blank pages are indicated.

Section 1: Multiple Choice

Answer **all** questions in this section.

For each question there are four possible answers **A, B, C** and **D**. Choose **one** you consider correct and fill in the box (X) to show your answer.

You are advised to spend 30 minutes on the 20 questions in this section.

- 1 Which **one** of the following is a possible external economy of scale for a rapidly expanding website design company?
- A** cheaper supplies of raw materials as it is able to purchase in bulk
- B** excellent supply of potential new recruits owing to the industry's growth in a city with two large universities
- C** improved coordination between the company's finance and marketing departments as specialist managers are recruited
- D** lower rates of interest on loans to the company as it operates in a low risk industry [1]
- 2 In 2018, Coca-Cola announced the purchase of Whitbread's Costa Coffee division for £3.9bn. The most likely reason for Coca-Cola making this acquisition was to:
- A** increase product orientation.
- B** increase shareholder value for Whitbread's owners.
- C** lengthen the life cycle of the existing product range.
- D** reduce risks from changes in demand for existing products. [1]
- 3 A caravan manufacturer uses mark-up pricing. The latest model, called the Voyager, costs £14 000 to produce. The marketing manager plans to add the same percentage mark-up as for other models. For example, the selling price of the Explorer model is £17 400 and costs £12 000 to manufacture. Based on the same percentage mark-up, the Voyager selling price will be:
- A** £19 300
- B** £19 400
- C** £20 300
- D** £31 400 [1]

4 Which **one** of the following is a feature of flexible specialisation?

- A Changes in consumer tastes can be responded to.
- B High inventory levels of finished goods are needed.
- C It requires employees to be specialised in one particular task.
- D Large batches of each product are sold at low prices. [1]

5 When managing capacity utilisation, the coping zone means that:

- A any attempt to increase output will worsen customer service.
- B idle resources can be used to increase output efficiently.
- C resource allocation at this output level has no opportunity cost.
- D there is full capacity working of all resources. [1]

6 Which **one** of the following would be included in the current assets of a motor retailing business?

- A annual depreciation of non-current assets
- B accounts payable to suppliers
- C garage premises
- D vehicles bought in part exchange for new ones [1]

7 Market positioning focuses on:

- A how consumers perceive a product.
- B targeting specific groups of consumers with common characteristics.
- C which location in a supermarket is likely to lead to highest sales.
- D which markets the business should sell products in. [1]

- 8 In response to activity by environmental pressure groups, UK supermarkets and food processing companies recently agreed to launch a new voluntary programme to reduce plastic packaging. The most likely reason for this is to:

- A keep food fresher for longer.
- B make environmental audits unnecessary.
- C reduce costs as plastic is becoming more expensive.
- D reduce the external costs of packaging. [1]

Questions 9 and 10 are based on Table 9.1, below

- 9 A business produces three products in a factory. Annual financial data for these products is shown in Table 9.1. If the production of Product Z was stopped, the most likely impact on the annual total profit of this factory will be:

- A fall by £10 000
- B rise by £10 000
- C fall by £60 000
- D rise by £70 000 [1]

- 10 In the following year, sales volume of Product Y increases by 10% at the same price level. What will be the new level of Product Y profit if average variable costs and allocated factory fixed costs remain unchanged?

- A £20 000
- B £27 500
- C £39 500
- D £95 500 [1]

Table 9.1 for Questions 9 and 10

Annual data (£000)	Product X	Product Y	Product Z
Variable labour costs	110	80	95
Variable material costs	25	40	65
Allocated factory fixed costs	75	55	70
Annual revenue	270	195	220
Profit (loss)	60	20	(10)

11 Which **one** of the following is an advantage of using critical path analysis (CPA) during the construction of a new shopping centre?

- A Float times on critical activities can be used to reallocate resources.
- B Resources can be reallocated to those activities taking less time than expected to prevent the critical path from changing.
- C The activities on the critical path can be monitored closely.
- D The activities on the critical path can be undertaken simultaneously. [1]

12 Which **one** of the following assertions about mission statements is correct?

- A They briefly indicate an organisation's purpose and goal.
- B They contain the SMART objectives that the organisation is working towards.
- C They outline the social responsibilities of the business.
- D They provide management with an outline of the business strategies to be followed. [1]

13 Table 13.1 shows budget data for a three month period for the assembly and sale of metal filing cabinets. The actual performance over this period resulted in a profit of £235 000. There was a favourable material cost variance of £5 000 and an adverse labour cost variance of £15 000. There was no fixed cost variance.

Table 13.1

Variable material cost	£134 000
Variable labour cost	£256 000
Fixed costs	£200 500
Revenue	£876 000
Profit	£285 500

The revenue variance must have been:

- A £40 500 adverse
- B £40 500 favourable
- C £50 500 adverse
- D £50 500 favourable [1]

14 A car showroom must sell 10 cars each month to break even. The average contribution per car sold is £750. Based on this information, the **annual** fixed costs of the business are:

- A £7500
- B £9000
- C £75 000
- D £90 000

[1]

15 In November 2017 the UK Consumer Price Index indicated that annual inflation had risen to 3.1%, the highest rate for five years. The most likely cause of this rise in inflation was:

- A higher rates of income tax.
- B depreciation of the sterling exchange rate following the 2016 BREXIT referendum.
- C significantly higher interest rates announced by the Bank of England to curb consumer spending.
- D a wage-price spiral caused by a significant increase in unemployment.

[1]

16 Which **one** of the following is the best definition of the Boston Matrix?

- A It shows the factors that determine competitive rivalry.
- B It indicates to managers the degree of risk associated with business strategies.
- C It is a model which helps businesses analyse their portfolio of products and brands.
- D It is a decision-making model that encourages managers to focus on setting clear objectives.

[1]

- 17 A service centre records customer waiting times before they receive assistance from an employee. The mean waiting time is 10 minutes with a standard deviation of 2 minutes. The business claims in its advertising that all customers are seen 'within 13 minutes of arrival'.

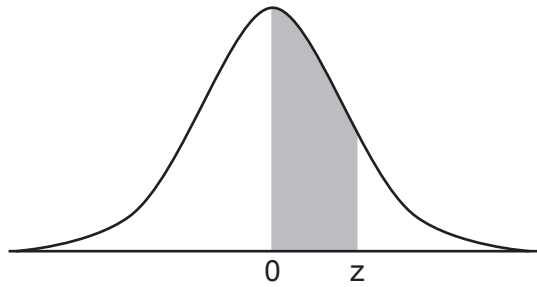


Fig. 17.1: Area between 0 (mean) and z

Table 17.1: Areas under normal curve from the mean to z standard deviations from the mean

z	area
1.0	0.3413
1.1	0.3643
1.2	0.3849
1.3	0.4032
1.4	0.4192
1.5	0.4332
1.6	0.4452
1.7	0.4554
1.8	0.4641
1.9	0.4713
2.0	0.4772

Based on this data, Table 17.1 and assuming a normal distribution, what proportion of customers will be seen within this time?

- A 6.68%
- B 40.32%
- C 43.32%
- D 93.32%

[1]

18 The weekly sales revenue received from selling a product fell by 5% to £57 000 following a price increase of £4. The original price was £15. Assuming no other changes, which of the following is the best estimate for the price elasticity of demand for this product?

A -1.07

B -0.94

C -0.11

D +1.07

[1]

19 Which **one** of the combinations of statements shown in Table 19.1, referring to the views of two motivational theorists, is correct? [1]

Table 19.1

	Mayo's view	McClelland's view
<input type="checkbox"/> A	Workers are motivated primarily by the opportunity to earn more.	All individuals have a need for achievement, a need for affiliation and a need for power.
<input type="checkbox"/> B	Workers do not naturally enjoy work.	Motivation results from conscious choices among alternatives.
<input type="checkbox"/> C	Status and image are important human needs that can be satisfied once lower order needs are met.	Expectancy theory has three components: expectancy, instrumentality and valence.
<input type="checkbox"/> D	Workers are motivated more by social and relational factors than by monetary rewards or environmental factors.	An individual's dominant motivator is largely dependent on their culture and life experiences.

20 A leadership style based on facilitation is most likely to be used:

A during a crisis within the organisation.

B during a period of rapid change in the business environment.

C when newly formed teams need control from senior managers.

D when some employees have failed to demonstrate ability to work independently. [1]

Section 2: Case Study

Read the case study in the insert and answer **all** questions in this section.

You are advised to spend 1 hour and 15 minutes on this section.

21 (a) Using data in Table 21.1:

(i) calculate the payback period for Location S [2]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(ii) calculate the average annual rate of return (ARR) for Location S [2]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

22 Discuss the impact an effective workforce plan might have on the profitability of SB as it expands. [10]

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

A series of horizontal dotted lines for writing.

A series of horizontal dotted lines spanning the width of the page, providing a template for writing.

A series of 25 horizontal dotted lines spanning the width of the page, providing a template for handwritten text.

A series of 30 horizontal dotted lines for writing.

A series of horizontal dotted lines spanning the width of the page, intended for writing.

Section 3: Essay

Answer **one** question from this section.

You are advised to spend 1 hour on this section. Relevant references to real business examples will be expected.

EITHER

- 25** 'India will be a global player in the digital economy, and it will be competitive with any country in the world.' (Sundar Pichai, Google)

Evaluate the implications for UK businesses of India's economic growth. [40]

OR

- 26** Evaluate methods of communication that may be most effective within large businesses. [40]

OR

- 27** Evaluate the impact of a low interest rate monetary policy on UK businesses. [40]

OR

- 28** 'Wonder what your customer really wants? Ask. Don't tell.' (Lisa Stone, BlogHer co-founder and CEO)

Evaluate whether it is important for all new business start-ups to undertake market research. [40]

Write the question number here

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which itself is a department of the University of Cambridge.