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## AS & A LEVEL BUSINESS Practice Exam Papers For AQA & Edexcel Specifications

Business 1 Practice Paper (B) MARK SCHEME

Q10 Calculate the new monthly margin of safety for the firm when the variable cost per unit rises to £8.20. (3 marks)

Marks for this question: A01 = 2 and A02 = 3

Example of how the assessment objectives might be met in this question include:

- Describe knowledge and understanding of relevant issues such as break-even output and margin of safety (A01)
- Be applied to the context of the data provided (A02)

Answer: 746 Units

Break-Even Output =  $\frac{\text{Fixed Costs}}{\text{Contribution per unit}} = \frac{11,300}{15.00 - 8.20} = 2,864.17 = 2,864$  (1 mark)

New Margin of Safety =  $\text{Current Output} - \text{Break-Even Output} = 3,100 - 2,864 = 236$  (1 mark)

Q11 Calculate the labour turnover and labour productivity of the business for 2012. (3 marks)

Marks for this question: A01 = 3 and A02 = 3

Example of how the assessment objectives might be met in this question include:

- Describe knowledge and understanding of labour turnover and labour productivity through formulae (A01)
- Be applied to the context of the data provided (A02)

2012 Labour Turnover = 10.2%

Break-Down:  $\frac{\text{Number of staff leaving during the year} \times 100}{\text{Average number of staff employed by the business during the year}} = \frac{35}{338} \times 100 = 10.36\%$

2012 Labour Productivity = 195.1 units

Break-Down:  $\frac{\text{Output per time period}}{\text{Number of employees}} = \frac{62,400}{319.1} = 195.1$  (1 mark)

16 John Lewis

The John Lewis partnership is one of the UK's most successful retailers. It consists of 23,000 employees who each receive a bonus payment linked to the amount of profit made. In 2015, each employee received a bonus worth 11% of their salary.

John Lewis has continued to make important profit decisions contributing to its competitive market and an experience that has only recently come out of recession. It is valued especially for customer service and quality products has given it a competitive advantage. The physical environment of the stores is an important attraction, with plenty of space and well designed layouts. John Lewis customers are generally wealthy and are happy to pay higher prices.

The business has been quick to take advantage of the increased popularity of online shopping. Online sales rose by 19% between 2014 and 2015 and now account for 38% of total sales. Customers particularly like the 'click and collect' online-to-store service, enabling them to click on their orders from their nearest John Lewis store. The business has invested heavily in new technology in order to improve the process customers experience when purchasing online.

Extracts from John Lewis accounts 2014 and 2015

	2014 (m)	2015 (m)
Revenue	6,701	8,027
Cost of sales	(6,427)	(6,006)
Gross Profit	274	1,021
Operating Profit	402	424
Profit for the year	142.5	101.6

1. Income profile made by William for last year. Details including its material and market share. 12 new supermarkets and 20 convenience stores were opened and a loyalty card scheme was introduced. Due to increased competition William does not have to price for certain products.

AS Business SOURCE FOR PRACTICE PAPER (A)

The company has been disappointed with the sales of its Mexican meals. It is deciding whether to continue making Mexican meals or replace it with a new Italian range. Uncle Wong Foods currently operates in a niche market, selling meals to the home households. It is aiming to broaden its appeal to more middle class customers by working partners with supermarkets such as Tesco and Sainsbury's. This will require careful market research and an extensive marketing campaign. The business is also considering investing in new technology in order to improve its communication with suppliers and customers as well as new technology to increase its capacity and meet the demanding delivery targets of the major supermarkets.

Although the business is reasonably profitable, Jimmy Wong is unsure regarding the best way to raise sufficient finance for the expansion of the business.

Table 1: Budget data for Uncle Wong Foods

Product	Budgeted income (£'000)	Actual income (£'000)
Chicken	450	410
Indian	250	260
Thai	300	320
Mexican	300	310

Table 2: Decision Tree for Uncle Wong Foods

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graph LR
    A[£1m] --> B[Launch Italian meals]
    A --> C[Continue with Mexican meals]
    B --> B1[Success 0.2 £5m]
    B --> B2[Failure 0.8 £0.5m]
    C --> C1[Success 0.5 £1.2m]
    C --> C2[Failure 0.5 £0.1m]
  
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