



Cambridge Pre-U

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BUSINESS AND MANAGEMENT

9771/01

Paper 1 Business Concepts

For examination from 2020

SPECIMEN PAPER

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 **30** 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 According to the Boston Matrix model, a 'cash cow' is a product with:
- A** high market share and high market growth.
- B** high market share and low market growth.
- C** low market share and high market growth.
- D** low market share and low market growth. [1]
- 2 Which one of the following factors will be most likely to make the demand for a firm's product more responsive to an increase in its price?
- A** a fall in the cost of producing the product
- B** a reduction in the price of a complementary product
- C** an increase in consumer incomes
- D** competitors decide not to raise their prices [1]
- 3 The best definition of 'cluster sampling' is when a sample is based on:
- A** arranging the target population in order and then selecting respondents at regular intervals from the list.
- B** giving each member of the population an equal chance of being selected from a list of the whole target population.
- C** taking respondents from each non-overlapping group in the target population in the same proportion as they exist within the target population.
- D** using a two stage sample – selecting an area and then selecting, perhaps at random, respondents from that area. [1]

4 Which one of the following is the most likely consequence of a profitable investment financed by a long-term loan?

- A the gearing ratio will fall as the loan is obtained
- B the internal rate of return will be less than the rate of interest on the loan
- C the present day value of future cash flows will be greater than the value of similar cash flows received now
- D the rate of return on capital invested by shareholders will increase [1]

5 A business uses the declining balance method of depreciation for its fixed (non-current) assets. It purchases a new machine for £2 m and uses a 35% rate of annual depreciation. The net book value of this machine after two years will be:

- A £600 000
- B £700 000
- C £845 000
- D £1 300 000 [1]

6 In September 2009, the Office of Fair Trading fined 100 construction companies nearly £130 m for engaging in deals to keep bid prices for new construction work artificially high. This illegal activity is an example of:

- A collusion.
- B competitive practice.
- C industrial action.
- D monopoly. [1]

7 One of the claimed advantages of Management by Objectives (MBO) is:

- A once objectives have been established, they do not have to be changed.
- B once objectives have been established, there is no need to undertake any further assessment of employee's performance.
- C the clear sense of purpose given by well articulated objectives gives the organisation inflexibility.
- D workers are encouraged to self-audit and to identify the skills needed to achieve the objectives set. [1]

8 According to a bank, the time taken by its customers to use cash dispensing machines is normally distributed with a mean of 18 seconds and a standard deviation of 3 seconds. Fig. 8.1 shows the percentage of results under portions of the normal curve.

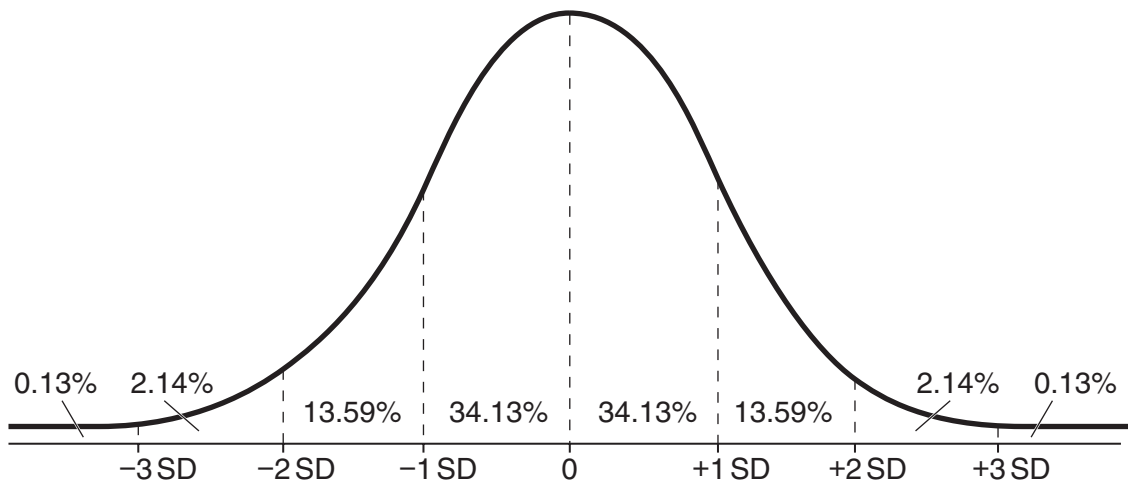


Fig. 8.1

What is the probability that any one randomly selected customer will take less than 12 seconds?

- A 2.14%
- B 2.27%
- C 13.59%
- D 37.72%

[1]

- 9 Table 9.1 shows an extract from a company's accounts.

Table 9.1

Total asset turnover ratio	2.5
Total assets of the business	£1.5 bn
Inventories (stocks)	£0.5 bn
Debtors (accounts receivable)	£0.75 bn

Calculate the Inventory Turnover ratio result.

A 3.75

B 5

C 7.5

D 10

[1]

- 10 Which one of the following is an example of price discrimination?

A a reduction in room rates at the Adelphi Hotel during the recession

B Apple charging a higher price in Germany than in Greece for the latest iPod

C British Airways charging twice as much for a 'Business Class' seat as an economy 'World Traveller' seat on a flight to New York

D the price of a basic Ford Focus is £12 000 but the price of the fastest model – the RS – is over £23 000

[1]

11 Table 11.1 shows a cash flow forecast for a business, August 2012.

Table 11.1

Cash IN:	
Cash sales	35 000
Received from debtors	23 000
Total cash IN	
Cash OUT:	
Labour	12 600
Materials	10 200
Fixed expenses	3 700
Total cash OUT	
Opening balance	(12 600)
Net cash flow	
Closing balance	X

Calculate the value of X.

A (26 500)

B (18 900)

C 18 900

D 31 500

[1]

12 Which one of the following is an external economy of scale?

A bulk purchasing discounts as the business expands its scale of operations

B government grants that encourage other firms into the same locality

C improved industry-specific college training courses in the region

D lower wage rates due to demand for a key labour skill from local businesses

[1]

13 Table 13.1 shows capacity and output data for a business.

Table 13.1

	2010	2011
Total sales (units)	1.6 m	1.7 m
Total output (units)	1.5 m	1.8 m
Maximum capacity (units)	2 m	2.2 m

The rate of capacity utilisation between 2010 and 2011 in this business changed from:

- A** 75% to 82%
- B** 80% to 77.3%
- C** 75% to 77.3%
- D** 80% to 82% [1]

14 David McClelland's motivational needs theory proposed that an individual's specific needs are acquired over time and are shaped by one's life experiences. Which of the following ideas is most closely associated with this theory?

- A** job enrichment needs
- B** need to achieve self-actualisation
- C** need for affiliation
- D** need for financial security [1]

15 One of the reasons most frequently given for the increasing importance of Customer Relationship Management (CRM) is:

- A** attracting new customers increases sales, keeping existing customers just stops sales from falling.
- B** it is easier to attract new customers with low prices than it is to keep existing ones with improved products.
- C** it is cheaper to advertise to new customers than to existing customers.
- D** it is cheaper to retain existing customers than it is to attract new customers. [1]

- 16** One of the most likely benefits to a large business of adopting an ethical code is that:
- A** it reduces the risk of actions taken by employees that might damage the public image of the business.
 - B** it is legally binding so it becomes a criminal offence to break it.
 - C** it will give the business a unique public relations advantage.
 - D** it ensures that the business will not be accused of breaking important laws. [1]
- 17** The most likely reason for Tesco opening its 'Fresh & Easy' stores in the US in 2008 was to:
- A** benefit from low labour costs in this emerging market.
 - B** benefit from the lack of competitors in the US market.
 - C** gain from the appreciation of the sterling exchange rate when exporting products from the UK.
 - D** use market development to achieve further sales growth. [1]
- 18** In November 2010 the Bank of England's Monetary Policy Committee (MPC) decided to keep the official Bank Rate at 0.5%, having maintained the same rate since March 2009. The most likely reason for this was:
- A** the rate of inflation measured by the Consumer Price Index had continually been above the original target set for the MPC by the Government.
 - B** the MPC was worried that deflationary pressures might tip the economy into another recession.
 - C** the MPC aimed to encourage an appreciation of sterling's external value.
 - D** the MPC was worried about the high level of consumer saving and low level of consumer debt. [1]

19 Table 19.1 shows budget data for a business.

Table 19.1

August 2011	Actual	Budget
Sales (units)	1570	1450
Selling price	£3	£2.90
Variable costs (total)	£2100	£2000
Fixed costs	£1200	£1340

Calculate the profit variance for August 2011.

A (£545)

B £545

C £865

D £1410

[1]

- 20 Refer to the network diagram in Fig. 20.1 where the brackets () indicate the duration, in days, for each activity.

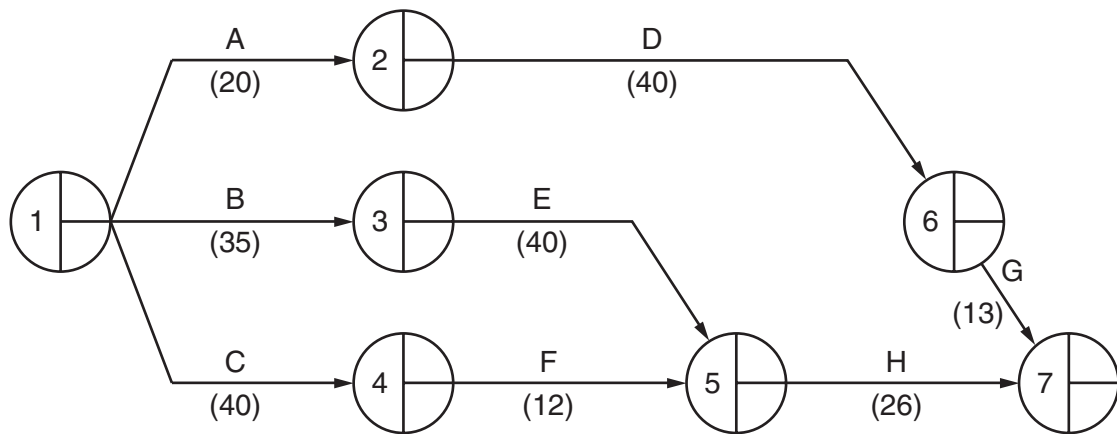


Fig. 20.1

The total float for activity F is:

- A 12 days.
- B 20 days.
- C 23 days.
- D 52 days.

[1]

[Total: 20]

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Section 3: Essay

Answer **one** question in this section.

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

EITHER

- 25** 'The only brands that will be big in the future will be those that tap into the social changes that are taking place.' (Sir Michael Perry, Chairman of Centrica plc.)

Discuss the extent to which you agree with this statement. [40]

OR

- 26** Increased globalisation has led to substantial increases in world trade, reductions in trade barriers and freer movement of capital and people.

In the light of these developments, discuss how UK businesses might achieve competitive advantage within the industry in which they operate. [40]

OR

- 27** Three barriers to change within an organisation are lack of employee involvement, poor communication and unwillingness to accept new culture.

Evaluate how businesses undergoing significant change might overcome these barriers. [40]

OR

- 28** 'Time waste differs from material waste in that there can be no salvage. The easiest of all wastes and the hardest to correct is the waste of time, because wasted time does not litter the floor like wasted material.' (Henry Ford)

Evaluate the importance to business success of reducing waste. [40]

Write the question number here

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