

## External Assessment

### NCFE Level 3 Applied General Certificate in Business and Enterprise (601/8908/3)

Paper number: **SAMPLE PAPER**

Assessment window: N/A

Complete your details below:

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.

I have not copied work from anyone else.

I have not copied work directly from handouts/internet/textbooks or any other publication.

If I have used a quote, then I have referenced this appropriately.

My full name above is my registered name with NCFE.

**Learner's signature:**

**Date:**

**Time allowed – 120 minutes**

The **External Assessment** is in two parts: **Part A** and **Part B**.

**Part A – 85 minutes – 65 marks available**

- you'll work on questions 1 , 2, 3 and 4 during this time

**Part B – 35 minutes – 26 marks available**

- you'll work on questions 5 and 6 during this time

**Instructions continue on the next page, please turn over.**

## Instructions for learners

- Complete your name, your centre name and number, your full name and your learner number on the front of this external assessment paper.
- Read each Task carefully and check:
  - what you need to do to complete the assessment
  - what evidence you need to submit
  - how much time you need to allow for each Task.
- 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 number and learner number and is securely attached to the appropriate answer booklet.
- All the work you submit for the **External Assessment must** be:
  - your own work
  - clearly identified with your name, your centre name and number, your learner number and the Task number so that the Examiner is able to grade it.
- All work for this **External Assessment must** be completed at your centre within the invigilated session.
- All of your work **must** be handed in to your Invigilator.
- You **must** use the checklist at the end of this document to check all your work has been completed.

## Resources

- You will need a ruler, pencil, calculator and pen.
- You may use all of the material given within this external assessment paper but no other resources should be taken into the examination room.
- You're **not** allowed to use the internet during the external assessment.

**DO NOT TURN OVER UNTIL YOU ARE INSTRUCTED TO DO SO BY THE SUPERVISOR OR INVIGILATOR.**

## **Pre-release material**

The pre-release material has also been included for reference.

- The external assessment will be based around a furniture products manufacturing business
- The business has a portfolio of products
- It is a public limited company
- It sells its products to both individual consumers and businesses

SAMPLE

**Part A**

**These are the tasks you need to do in Part A**

**Attempt to answer all questions**

**Question 1**

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

**(a)** Which **one** of the following is a financial objective for a business?

- 1. Improve the business's reputation with customers
- 2. Increase its use of sustainable resources
- 3. Increase sales revenue by 3%
- 4. Practise corporate responsibility

(1 mark)

**(b)** Being a public limited company has possible advantages and disadvantages for any company.

Explain **one** advantage and **two** disadvantages of being a public limited company.

**One advantage:**

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**Two disadvantages:**

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(6 marks)

**Question 1 (c)**

**JJJ PLC is a manufacturer of a range of furniture products.**

**Twenty years ago unemployment in JJJ PLC’s home town was twice the national average.**

**JJJ PLC was also in crisis. Increased competition from cheap imports had reduced its market share, and losses had increased significantly. To restore profitability the directors implemented the following changes:**

- **a four-year freeze on production worker wages**
- **ending their contract with their current materials supplier based in the UK as cheaper materials were available from abroad**
- **a 30% cut in dividend payments to shareholders.**

**(c) Identify the three sets of stakeholders directly affected by the changes listed above.**

**Evaluate the impact of these changes upon each of them.**

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(9 marks)

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**Question 2 (a)**

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

**(a)** In a SWOT analysis which **one** of the following would be classified as a **weakness**?

1. A key supplier to the business raises the price of components significantly
2. A new business opens up selling similar products
3. Interest rates increase by 2%
4. Workers in the business demand an above inflation pay rise

(1 mark)

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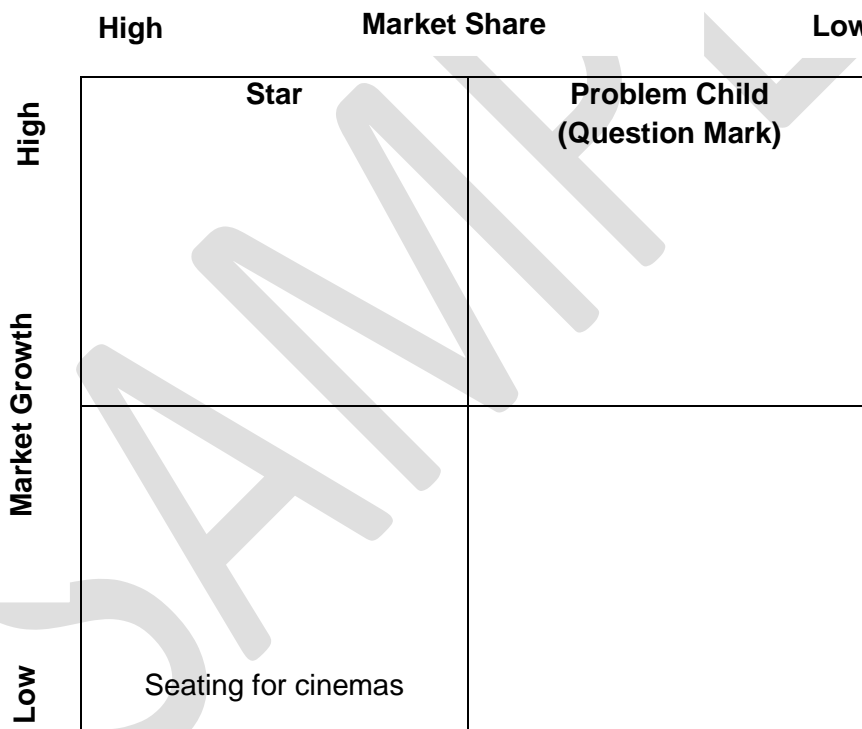
**Question 2 (b)**

One of JJJ PLC's products is seating for cinemas. This makes up 60% of JJJ PLC sales and accounts for 75% of the gross profits. These seats are at the maturity stage of the product lifecycle.

Another of its products is plastic outdoor patio furniture, which has suffered from falling sales over the last five years. The business is to end production of this product at the end of this summer.

The business launched an innovative new chair for dental surgeries three years ago. The market for this product is growing and the new chair is outselling rival products. Sales have risen so quickly that production is struggling to keep up with demand. JJJ PLC will launch an improved version of this chair later this year. This product contributes 10% to overall company sales revenue.

**Boston Matrix diagram**





**Question 2 (b)**

The Boston Matrix diagram is shown on the previous page.

- Two of the quadrants have been labelled for you.
- One of JJJ PLC's products has been placed in its correct quadrant.

**(i)** Label the other **two** quadrants.

(2 marks)

**(ii)** Place JJJ PLC's **two** other products in their appropriate quadrants.

(2 marks)

**(iii)** Identify which of JJJ PLC's **three** products will incur the lowest Research and Development costs in this financial year.

Give a reason for this.

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(3 marks)



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(9 marks)

**Question 3 (a)**

Put a tick in the box next to the one correct answer for the question below:

**(a)** Which **one** of the following is **NOT** a pricing strategy?

- 1. break-even pricing
- 2. cost plus pricing
- 3. penetration pricing
- 4. competition based pricing

(1 mark)

**Question 3 (b)**

**JJJ plc is a product orientated business and has recruited some of the top designers in the field of chair design to be part of their design team.**

**(b)** Identify and explain **two** advantages and **one** disadvantage to JJJ PLC of its product orientated approach to marketing.

**Two advantages:**

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**One disadvantage:**

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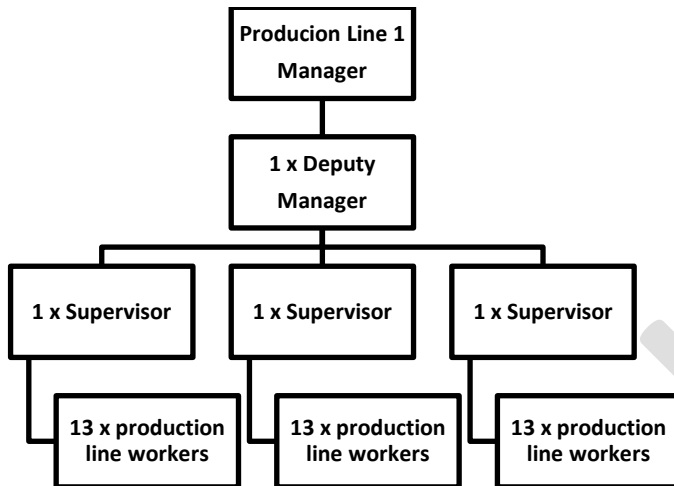
(6 marks)

**Question 3 (c)**

**JJJ PLC has a tall hierarchy.**

**It has three production lines and each has an identical organisational structure.**

**The chart for Production Line 1 is shown below:**



**The Board of Directors are considering a proposal to restructure and delayer the hierarchy, this would decrease the factory wage bill by 10% per year.**

**It is proposed that all nine supervisors will be made redundant (three from each production line).**

**These supervisors are all highly experienced staff and all have been with the business for at least twelve years. They were all former production line workers that were promoted.**

**Each deputy manager would then become responsible for thirty nine production workers.**

**Deputy managers have never worked on the production lines.**

**(c) Identify and explain **one** advantage and **one** disadvantage of the proposed delayering.**

Advise the directors as to whether they should go ahead with this proposal.

Justify your decision.

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(9 marks)

#### Question 4 (a)

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

(a) Which **one** of the following is a variable cost to JJJ PLC?

1. Insurance paid to cover the factory in case of fire
2. The cost of components used in the manufacture of the chairs
3. The costs of heating and lighting of the factory
4. The rent paid for the photocopier in the office

(1 mark)

#### Question 4 (b)

JJJ PLC sells a row of cinema seats for £1500.

It has the following production costs:

Components per row of cinema seats	£350
Power to operate machinery used in the production process per row of cinema seats	£10
Wage costs per row of seats	£140
Fixed costs	£100000

Last year JJJ PLC manufactured and sold one hundred and sixty rows of cinema seats. The maximum factory output is one hundred and sixty rows of seats.

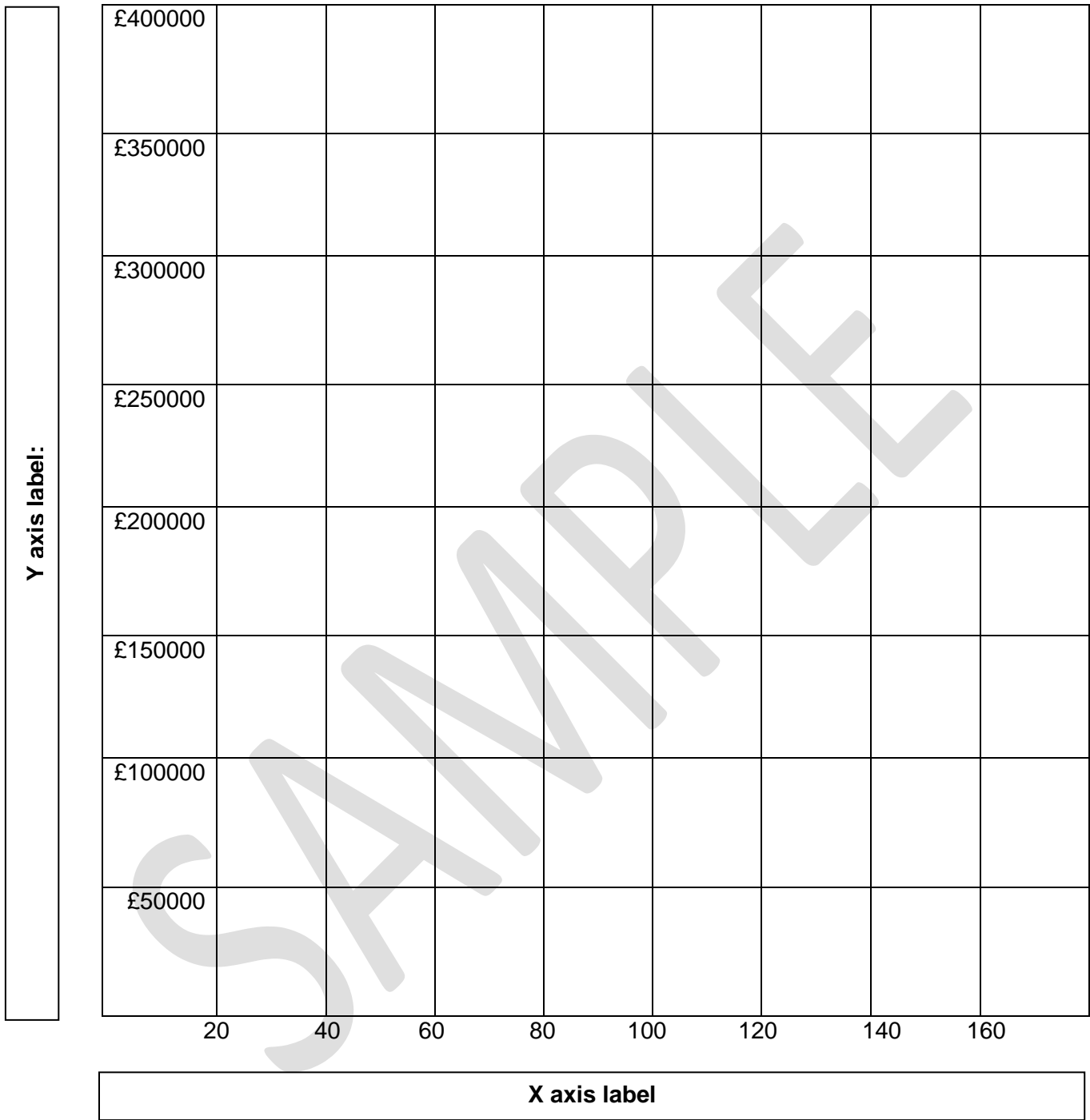
(b) Using the information above, draw, using a ruler, a fully labelled break-even chart, using the blank chart below.

The chart must include:

- labels for both axes in the boxes provided
- a total cost line (labelled)
- a total fixed cost line (labelled)
- a total revenue line (labelled)

**Question 4 (b)**

Chart to be completed:



(6 marks)



**Question 4 (c)**

JJJ PLC has a problem with late delivery of chairs for dental surgeries to customers. This was caused by the unexpected high level of demand and also by machinery breakdowns in the factory. The directors are considering replacing the old machinery with new 'hi-tech' machinery. This would cut the cost per chair by 30% and allow 20% more dental surgery chairs to be made per day. The purchase price of the machinery is £25m.

Last year JJJ PLC made a loss of £16m. They are experiencing cash flow problems. The company's share price has fallen by 30% in the last six months. It has one outstanding loan of £2m which is set to be repaid over the next five years. It has a low gearing ratio.

The business owns the factory site and this is currently valued at £40m. A recent board meeting voted to go ahead with the replacement of the old machinery. Installation of the new hi tech machinery is planned for next month.

The directors are considering two sources of finance for this investment:

- a bank loan
- a new share issue

(c) Using the information given above, describe the **two** sources of finance being considered for this investment and discuss their advantages and disadvantages.

Which source would you recommend?

Justify your recommendation.

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(9 marks)

**Part B**

**These are the tasks you need to do in Part B**

**Attempt to answer all questions**

**Question 5**

**In 2017 JJJ PLC intends to launch a new product, an 'exterior wood preserver'. This is a liquid painted onto outdoor furniture and fencing to restore its appearance. It chose the name 'Petsafe Woodcare' to reflect the product's USP.**

**The market for wood care products is very competitive.**

**Traditionally spring is the time each year when rival companies heavily promote their products. The market leader in this industry has a budget of £25m for its next spring promotional campaign. The leading rival brands all spend heavily on TV advertising and run promotional offers such as discounts on sprayers and money off next purchase vouchers.**

**At the end of its first year JJJ Plc estimates that Petsafe Woodcare will have a 1% market share. The marketing department wants to increase market share to 5% within two years. To achieve this it has decided to launch a three week spring promotional campaign in 2017 with a budget of £5 million.**

Discuss how the following may influence the promotional mix for JJJ PLC's new product 'Petsafe woodcare':

- its position in the product life cycle
- its target market
- its rivals' promotional campaigns
- its promotional campaign budget

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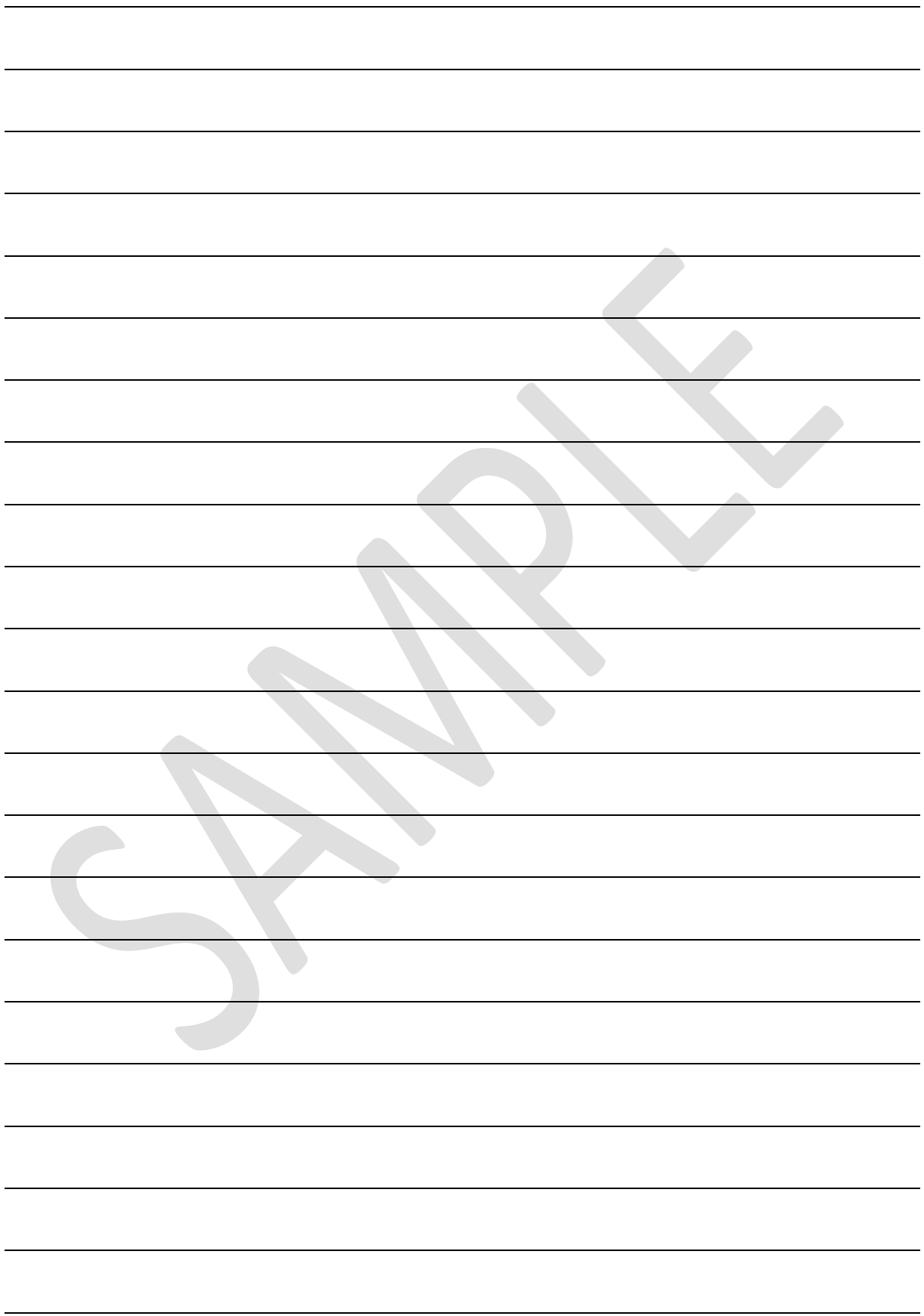
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(13 marks)

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(13 marks)

SAMPLE



## What you need to hand in after your external assessment

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

External Assessment Checklist	
	Tick
• This external assessment paper	
• Any extra paper you have used, securely attached	

All the work you submit for the **External Assessment must** be clearly identified with your:

- full name
- centre number
- learner number
- Task number so that the Examiner is able to grade it.

Make sure that you've signed the learner declaration on the front page of this **External Assessment** paper.

**This is the end of the external assessment.**