

## NCFE Level 3 Applied General Certificate in Business and Enterprise

(601/8908/3)

Paper number: **Past Paper**

Time allowed: **2 hours**

Assessment date: **Wednesday 22 March 2023**

Time: **9.00am – 11.00am**

### 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.
- If you use a supplementary answer booklet, you must add your learner name, learner number and centre number to the front cover of the booklet. Insert your supplementary answer booklet inside this question paper at the end of your test.
- 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 paper is 91.
- The external assessment is in two parts: **Part A** and **Part B**. You should spend about **85 minutes** on **Part A** and **35 minutes** on **Part B**.
- You may use a calculator.

**Do not turn over until the invigilator tells you to do so.**

**Please complete / check your details below**

Learner Name:

Centre Name:

Learner Number:

Centre Number:



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**Pre-release material for learners**

- The external assessment is based around a manufacturer of beds and mattresses.
- The manufacturer is a private limited company.
- It sells its products to individual consumers through a network of high street retailers.
- It owns one factory.
- It has a reputation for being an innovative business.

**Questions begin on the next page.**

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**Part A**

This section has a possible 65 marks.

You should spend about 85 minutes on this section.

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

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**1 (a)** Which **one** of the following is a feature of a private limited company?

**[1 mark]**

- A** The business has a legal obligation to submit financial accounts to Companies House
- B** The business's owners have unlimited liability
- C** The business sells its shares on the stock exchange
- D** The business does not survive the death of its owners

Answer \_\_\_\_\_

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1 (b) Mascose Bedding Ltd was founded in 1996. The business manufactures beds and mattresses. The mattresses are hand made by skilled workers, are very high quality and are considered to be luxury items. The company has three directors.

Mascose Bedding Ltd operates in a niche market.

Explain **two** advantages **and one** disadvantage of operating in a niche market.

**[6 marks]**

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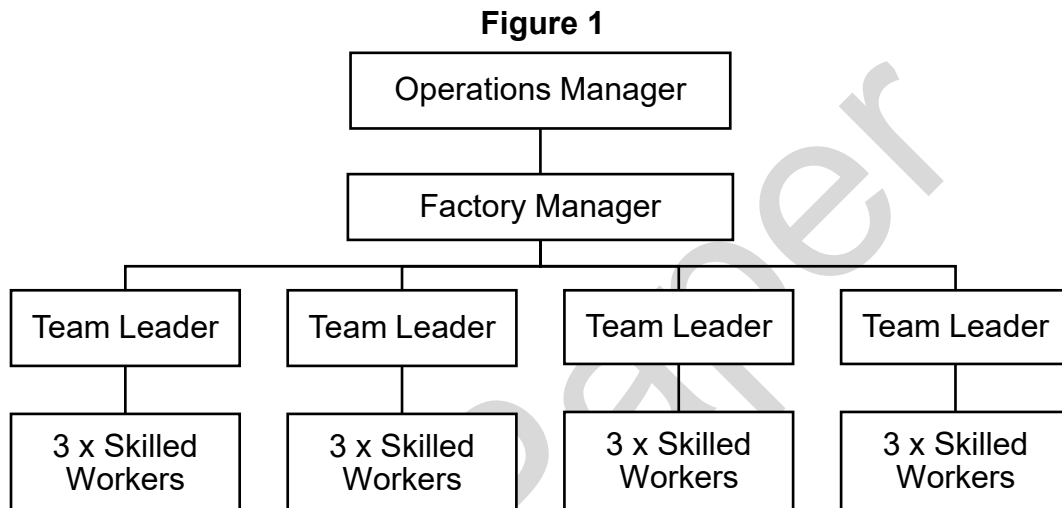


1 (c) In 2005, running costs across the bed and mattress industry were rising.

One of Mascose Bedding Ltd's competitors closed as a result of rising running costs.

Soon after their competitor's closure, Mascose Bedding Ltd received a large increase in orders. To meet the rise in sales, Mascose Bedding Ltd needed to recruit eight apprentices to support the existing skilled workers. The apprentices were managed by team leaders.

The company's business structure, **before** the appointment of the eight apprentices, is shown in **Figure 1**.



The directors needed to adapt the business structure to include the new apprentices. They had two options:

**Option A:** Appoint two additional team leaders and an assistant factory manager. This would increase the number of levels in the hierarchy.

**Option B:** Keep the existing flat structure, increase the span of control of each team leader from three to five, and do not appoint an assistant factory manager.

The directors chose **Option B**.

Analyse the advantages **and** disadvantages of the decision to increase the span of control of the existing team leaders.

Were the directors correct in choosing **Option B** rather than **Option A**?

Justify your answer.

[9 marks]





2 (a) Which **one** of the following describes the term 'patent'?

[1 mark]

- A A licence granted by one business to another to use its name
- B A payment made to employees on the value of sales
- C Legal protection against copying for authors, composers and artists
- D The right to be the only user or producer of a specified product or process

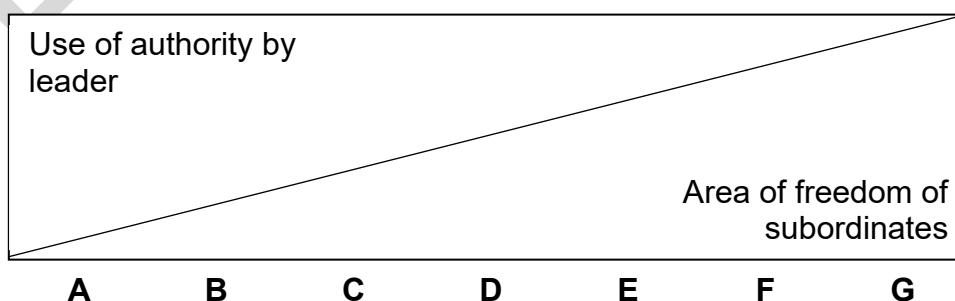
Answer \_\_\_\_\_

2 (b) Mascose Bedding Ltd is getting negative reviews about its Daisy mattress. The most common complaint is that within 6 months of purchase the mattress has lost its shape and there are clear hollows in the middle of the bed.

The managers decide to meet with the workforce to take suggestions on how the issues with the Daisy mattress could be solved.

Identify which letter in the Tannenbaum and Schmidt model shown in **Figure 2** best describes this type of leadership.

**Figure 2: Tannenbaum and Schmidt Model of Leadership**



[1 mark]

Answer \_\_\_\_\_





2 (b) Mascose Bedding Ltd develops and launches a new mattress every 2 years.  
(ii)

The directors' style of management is democratic. Ideas for changes and for improvements to the mattresses often come from the workforce.

Explain the possible impact of using a democratic style of management on **two** internal stakeholders of Mascose Bedding Ltd.

[6 marks]

Lined area for writing the answer.

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**2 (c)** Mascose Bedding Ltd's bestselling mattress is the Buttercup. It has been on the market for 5 years and provides 30% of the business's sales revenue. The selling price of the Buttercup is £1100.

Mascose Bedding Ltd's competitors sell additional items with the same branding as their mattresses. Examples include pillows and pet bedding. Mascose Bedding Ltd does not do this.

Mascose Bedding Ltd offers their mattresses in three sizes: single, double and king size. One of their competitors has recently introduced an even bigger mattress called the Californian king size. Currently, no other bed and mattress manufacturer offers this option.

Market research suggests that consumers aged under 36 years old spend the most, with an average spend of £500 per mattress.

The target market for the Buttercup is high earners over 36 years of age.

The directors of Mascose Bedding Ltd have decided to extend the life of the Buttercup rather than withdrawing it from production, as sales remain high. The directors do not want to lower the price of the Buttercup to extend the mature phase of its lifecycle.

Suggest **three** possible extension strategies, other than lowering the price, that the company could use to make sure sales remain high. Explain how **each** of the strategies could maintain sales of the Buttercup.

Advise the directors of Mascose Bedding Ltd on which of the three extension strategies they should use.

Justify your answer.

**[9 marks]**

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3 (a) Which **one** of the following would **not** add value to a product or service? [1 mark]

- A Additional product features
- B Branding
- C Excellent customer service
- D Reworking defective products

Answer \_\_\_\_\_

3 (b) Mascose Bedding Ltd employs five delivery drivers to deliver the beds and mattresses to retail stores across the UK.

All five drivers are employed on permanent full-time contracts. The contracts include a clause that states that the drivers do not have to work on Saturday or Sunday.

There are some days when the drivers have very little to do. On those days, the drivers help in other parts of the factory that are busy (eg packing).

Staff turnover amongst the drivers is very low.

To reduce costs, Mascose Bedding Ltd is considering changing the drivers' contracts from permanent contracts to zero-hours contracts.

Explain **one** advantage **and one** disadvantage which may result from Mascose Bedding Ltd changing contracts from permanent full-time to zero-hours.

[6 marks]

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**3 (c)** The directors of Mascose Bedding Ltd use ratio analysis to monitor the company's  
**(i)** performance.

Identify **one** profitability ratio they could use.

**[1 mark]**

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**Question 3 continues on the next page. Please turn over.**



3 (c) Table 1 is an extract from the two most recent balance sheets of Mascose Bedding Ltd.  
(ii)

Table 1

	2021	2022
	£ 000	£ 000
Inventory (stock)	850	900
Accounts Receivable (debtors)	50	55
Cash	33	25
Total Current Assets	933	980
Current Liabilities	81	85

The directors are concerned about the liquidity of the business.

Evaluate the liquidity position of the business using the acid test ratio for the years 2021 and 2022.

[8 marks]

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Please turn over for the next question.

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4 (a) Which **one** of the following is an example of a short-term business objective? [1 mark]

- A Becoming market leader
- B Business survival
- C Expansion into new markets
- D Increasing overall brand awareness

Answer \_\_\_\_\_

4 (b) The most recent market research carried out by Mascose Bedding Ltd identified two main issues:

- Mascose Bedding Ltd’s brand identity is not as strong as it was
- the number of online bed and mattress sellers is increasing.

The directors agree to appoint a marketing director to address these issues. The director they appoint will manage a team of two people and be responsible for devising and implementing the company’s marketing strategy.

Before advertising the job in a national newspaper, the directors write a job description and person specification.

Identify **and** explain **three** reasons why writing a person specification is an important part of the recruitment process.

[6 marks]

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- 4 (c) There is a growing number of new entrants into the market, especially those selling mattresses online. The new entrants have 9% of total market share. This share is increasing year-on-year.

The number of mattresses purchased from high street shops is falling each year.

- Retailing experts predict an increase in the number of large high street shops closing over the next 10 years.
- The fastest growing online seller offers free delivery and free returns within 100 days. The profit margins on their sales are lower than selling through high street retailers.
- The average amount spent on a mattress bought online is £500.
- The target market for Mascose Bedding Ltd is high income earners aged 36 or older.
- The main buyers of mattresses are the 18–35 age group. This group change their mattresses every 6 years, on average.
- Consumers aged 36 and older replace their mattresses every 12 years, on average.

The directors of Mascose Bedding Ltd are concerned that the new entrants into the market will reduce Mascose Bedding Ltd's sales and market share. Chloe is the new marketing director. She is given these tasks:

- prevent a loss in market share
- strengthen the brand identity
- make sure the company continues to be successful into the future.

Chloe suggests that Mascose Bedding Ltd sells its mattresses online as well as through high street shops.

Analyse the advantages **and** disadvantages to Mascose Bedding Ltd of selling its mattresses online. Use the information given above.

Would you recommend that the board of directors accepts Chloe's suggestion?

Justify your recommendation.

[9 marks]

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**Part B**

This section has a possible 26 marks.

You should spend about 35 minutes on this section.

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

**5** A chain of small hotels has asked Mascose Bedding Ltd to supply it with 500 mattresses.

- The hotel chain will only confirm the order if they receive a discount of 30% on each mattress.
- The hotel chain insists on delivery within 4 weeks of placing the order.
- If they accept the order, Mascose Bedding Ltd would have to ask its workers to increase the number of hours they work. The workers will receive a bonus in addition to their wages if they agree to work longer hours.
- Delivery times to existing customers would have to be increased by 2 weeks.
- A significant number of hotels have closed within the last year and this trend is predicted to continue, although the future is uncertain.
- Costs across the industry are predicted to rise.

The directors of Mascose Bedding Ltd are split on whether to accept or reject the order.

Discuss whether the directors should accept or reject this order.

Justify your recommendation.

**[13 marks]**

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6 Mascose Bedding Ltd has plans to automate some of the simpler elements of the manufacturing process. The more complex elements will still require workers who are highly skilled. To finance the automation, directors plan to borrow £4.5 million over the next 3 years. The board of directors has identified two possible threats to the business:

- **Availability of skills:**

50% of Mascose Bedding Ltd's highly skilled workers are due to retire in the next 4 years. There is a skills shortage in the industry. Automation will mean Mascose Bedding Ltd will need fewer workers with the skills to make mattresses. However, some of the existing skilled mattress makers are due to retire and Mascose Bedding Ltd will need to replace them with workers who have the appropriate skills. It takes 5 years for an apprentice to become fully skilled.

- **Spending power of the target market:**

There are fears that a slowdown in the economy will severely impact the income of Mascose Bedding Ltd's target market. Experts predict that the level of employment will fall across all income groups in society.

Evaluate the possible impacts of these two threats on Mascose Bedding Ltd.

Which of the two do you think will have the most impact?

Justify your answer.

[13 marks]

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To be completed by the examiner			
Question	Mark	Question	Mark
1(a)		3(b)	
1(b)		3(c)(i)	
1(c)		3(c)(ii)	
2(a)		4(a)	
2(b)(i)		4(b)	
2(b)(ii)		4(c)	
2(c)		5	
3(a)		6	
		TOTAL MARK	

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