



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

Past Paper

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

Wednesday 23 March 2022 9.00 am – 11.00 am

Time allowed: 2 hours

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.
- 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.

Please complete the details below clearly and in BLOCK CAPITALS.

Learner name _____

Centre name _____

Learner number

Centre number

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

Pre-release material for learners

- The external assessment is based around a medium-sized local bakery.
- It is a partnership.
- It sells its products to both individual consumers and businesses.
- It owns six shops.

Past Paper

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.

1 (a) Which **one** of the following is a current asset used by the bakery?

[1 mark]

- A** Bakery premises
- B** Baking trays
- C** Flour and other ingredients
- D** Ovens

Answer _____

1 (b) Operating a business as a partnership has advantages and disadvantages.

Explain **one** advantage and **two** disadvantages to a business of choosing to operate as a partnership.

[6 marks]

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1 (c)

Stuff Of Life (SOL) is a medium-sized business owned by two brothers as a partnership. The business supplies eight local hotels and its own six shops with a variety of fresh breads every day.

Jamie is responsible for product development and manages the bakery. Ahmed is responsible for marketing and recruitment.

- The five full-time bakery employees are all on permanent contracts. They start work at 1am and finish at 9am. Wages are paid on an hourly rate and are only slightly higher than the minimum wage. The work is hot and very tiring.
- The bakery staff complain that they receive very little feedback on their performance and that there is a lack of opportunities for staff development. There are no dedicated canteen facilities and the staff have to provide all their own food and hot drinks. Drinking water is always available.
- Local unemployment is high, but most staff stay less than six months.
- Deliveries to the shops and hotels are sometimes late due to high staff absence rates.

To improve bakery staff retention, Ahmed is considering three courses of action.

- 1) Increase the pay of the employees by 10%.
- 2) Introduce a canteen area with free hot drinks and snacks. The canteen area will make it easier for staff to socialise on their breaks which it is currently difficult to do. Jamie thinks this will increase costs too much.
- 3) Provide online training, which would cost the business £10.50 per employee.

With reference to Herzberg’s motivational theory, discuss the three courses of action that Ahmed is considering.

Which would you recommend?

Justify your answer.

[9 marks]

Please turn over for the next question.

Past Paper

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

[1 mark]

- A** Improved sustainability
- B** Increased levels of customer satisfaction
- C** Reduction in fixed costs
- D** Reduction in staff turnover

Answer _____

2 (b)

Cash flow is always a problem for the bakery due to the unpredictability of demand.

Below is an extract from SOL's cash flow forecast for the next 4 months.

SOL receives 14 days' credit from its suppliers. SOL provides 21 days' credit to its hotel customers.

Below is an extract from SOL's cash flow forecast.

	March	April	May	June
Cash in				
Total cash in	15000	21400	-15500	Z
Cash Out				
Salaries	9600	9600	9600	9600
Ingredients	5000	6000	6500	5000
Other	4000	5000	3000	4000
Total cash out	X	20600	19100	18600
Net cash flow	-3600	800	-3600	2400
Opening balance	1000	-2600	1800	-5400
Closing balance	-2600	Y	-5400	-3000

2 (b) (i) Identify **two** possible cash outgoings other than salaries and ingredients.

[2 marks]

1 _____

2 _____

2 (b) (ii) Using the cash flow forecast above calculate the values for X, Y and Z. [2 marks]

X _____
Y _____
Z _____

2 (c) Identify and explain **one** way that SOL could improve its cash flow. [3 marks]

Please turn over for the next question.

2 (d)

The bakery has been using the same equipment since it opened. Breakdowns occur frequently, resulting in delayed deliveries to both the shops and hotels. The increasing repair costs are reducing profit margins. The hotels have said that if deliveries continue to be late, they will switch to a different supplier.

The brothers decide to invest in some more up-to-date equipment which will increase the range and number of loaves they can make each day and also reduce the unit cost.

- The cost of the equipment is £25,000.
- The business still has one year left to pay on an existing five-year loan of £35,000.
- Its gearing ratio is 20%.
- Interest rates are not predicted to rise in the next 12 months.
- It has retained profit of £20,000.

Despite the unpredictability of cash flow, sales are growing year-on-year.

Both brothers own sufficient assets to put up as security on the new loan. The brothers want to maintain current profit margins.

The brothers are considering three methods to finance the purchase of new equipment:

- using retained profits
- borrowing from their bank
- leasing.

Using the information given above, discuss the advantages and disadvantages of each of the three methods of finance being considered.

Which option would you recommend?

Justify your recommendation.

[9 marks]

3 (b)

SOL uses a competitive pricing strategy for its breads. In order to ensure consistent profit margins, it is considering a move to a cost-plus pricing strategy.

The total cost of a white tin loaf is £1.20.

The current selling price is £1.60.

3 (b) (i) Calculate the current net profit margin on a white tin loaf.

[3 marks]

3 (b) (ii) Calculate the new selling price if SOL adopts cost-plus pricing with a 40% markup. **[3 marks]**

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Past Paper

3 (c)

SOL's shops are located in six different towns across the north west of England. Decision-making is heavily centralised.

The most popular types of loaf vary from shop to shop. The brothers make all the decisions about what range and quantity of bread to supply to their shops. There are often unsold loaves left at the end of the day. On other days the shops run out of the most popular bread.

The shop managers are sure that sales would increase if they could place their own orders with the bakery on a daily basis.

Communication between the shop managers and the brothers is poor. Text and phone messages are often answered two or three hours after they have been sent. This can lead to customer dissatisfaction as managers have no authority to make decisions.

The shop managers know their customers and understand what additional types of products they would buy, such as celebration cakes or ready-made sandwiches. The managers have made suggestions for improvements in the past but have been ignored so are now unwilling to pass on any ideas to the brothers.

The business is growing. The brothers employ a consultant to advise them on how they could improve the business organisation. She suggests moving to a more decentralised structure.

Evaluate the consultant's suggestion to move to a more decentralised structure.

[9 marks]

- 4 (a) If the price of a loaf of bread rises by 10% and the quantity demanded falls by 20% which **one** of the following is the price elasticity of demand?

[1 mark]

- A 0.5
B 2
C 5
D 50

Answer _____

4 (b)

The brothers want to improve the efficiency of the bakery.

Currently the bakery orders its ingredients in large quantities. It has plenty of storage space and receives a discount for bulk buying.

Due to the unpredictability of demand, ingredients sometimes have to be thrown away as they go past their use-by date.

SOL buys its ingredients primarily from one major supplier located in the UK who imports from Europe. SOL enjoys good relationships with this supplier and have been purchasing from it ever since the business started.

The price of wheat can fluctuate by up to 40% in the course of a year. Wheat is ground into flour to make bread.

Identify and explain **two** advantages and **one** disadvantage to SOL of moving to a just-in-time system of stock control.

[6 marks]

4 (c)

Ahmed needs to recruit a new manager for one of the shops. He wants to do this as quickly as possible as sales in the shop are falling.

Annual absenteeism rates of the shop staff average eight days per worker, which is well above the national average. Ahmed tries to bring in temporary workers when staff are absent, but they are not always available.

Many of the sales staff working in SOL's shops have been employed for over two years.

In the past Ahmed always recruited internally by promoting one of the existing staff.

Identify **two** other methods of recruitment that Ahmed could use to recruit a new shop manager.

Explain the advantages and disadvantages of each suggestion.

Advise Ahmed as to which one of these methods is most likely to be successful.

Justify your decision.

[9 marks]

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Please turn over for Part B.

Past Paper

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

In 2022 SOL intends to trial a range of new bread-based products, including pittas, bagels and wraps. Mintel research predicts that this is a fast-growing market that will continue to grow at a faster pace than the traditional bread market. At present, local rivals do not offer these products and Jamie believes this will provide the bakery with a unique selling point (USP).

The target market would be high-income earners who are looking for an alternative to bread. Their buying choices are heavily influenced by online reviews. They use Twitter and Instagram on a daily basis. The target market watch very little television in real time and prefer catch-up services or Netflix.

Jamie and Ahmed agree that they will trial the new products in just one of their shops for a period of a month. This shop is located in an area where the majority of households have a high income.

They have agreed a promotional budget of £500.

Discuss how the following might influence the price and promotion elements of the marketing for the new products.

- The position in the Boston Matrix of the new products.
- The new products' target market.
- The change in buying habits of consumers.
- The level of competition.

[13 marks]

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6

The brothers have conducted a SWOT analysis of their business which is shown below.

Strengths

- Established brand name locally that relies on good reputation and repeat custom.
- Strong knowledge on how to set-up and run a bakery and shops.
- Expertise in bread-making.
- Low gearing ratio.

Weaknesses

- Lack of brand awareness in other parts of the country.
- Inconsistent cash flow.
- Low levels of retained profit.

Opportunities

- Untapped markets in other parts of the country.
- Potential to expand product range.
- Fast-growing market sector.

Threats

- Market research suggests that the success of television programmes such as 'The Great British Bake Off' is partly responsible for new bakeries being one of the fastest growing sectors of the food industry.
- Established local bakeries in other parts of the country/online sellers.
- Uncertainty about the future economic growth of the country.

The brothers' objective is to double SOL's sales within three years. They have identified two courses of action they could take to achieve this:

- Allow franchisees to buy a franchise to open SOL shops in other parts of the UK.
- Become a private limited company to raise finance to open shops in other parts of the UK.

Evaluate the **two** courses of action the brothers could take to achieve their objective.

Which course of action would you recommend?

Justify your choice.

[13 marks]

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