

NCFE Level 3 Applied General Certificate in Business and Enterprise

(601/8908/3)

Paper number: **Past Paper**

Time allowed: **2 hours**

Assessment date: **Wednesday 20 March 2024**

Time: **9.00am – 11.00am**

Learner instructions

- Use black 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 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 theme park.
- The theme park is a medium-sized business.
- The theme park attracts 1 million visitors a year.

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.

1 (a) Which **one** of the following is a characteristic of medium-sized businesses?

[1 mark]

- A** They are managed by owners and employ professionals
- B** They engage only in short-term planning
- C** They have a small customer base and operate in niche markets
- D** They operate internationally in diverse markets

Answer _____

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1 (b) TP Ltd (TP) is a popular theme park. TP was originally a small fairground business set up by Tanveer Patel who ran the fairground as a sole trader.

Explain **two** advantages **and one** disadvantage for Tanveer when she operated as a sole trader.

[6 marks]

Advantage 1: _____

Advantage 2: _____

Disadvantage: _____

2 (a) Figure 1 is a stakeholder map.

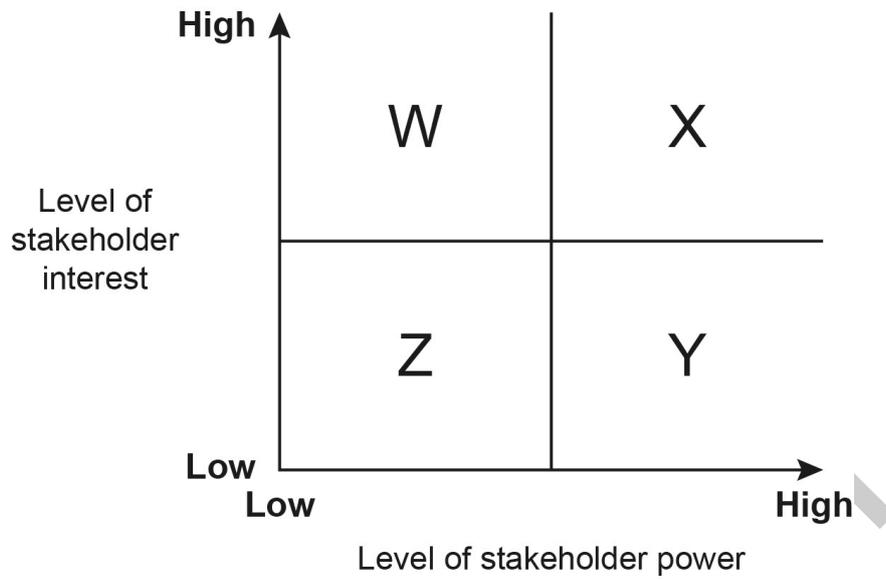


Figure 1

Which **one** of the following stakeholder groups does a business have to manage most closely?

[1 mark]

- A W
- B X
- C Y
- D Z

Answer _____

2 (b)

TP's mission statement is:

'TP wants to be the most visited leisure destination in the UK by providing our guests with a unique experience that represents great value for money.'

Explain **two** advantages **and one** disadvantage of TP having a mission statement. **[6 marks]**

Advantage 1: _____

Advantage 2: _____

Disadvantage: _____

3 (a) Which **one** of the following is a long-term business objective?

[1 mark]

- A Diversification
- B Improved liquidity
- C Increased sales revenue
- D Survival

Answer _____

3 (b) 'The Spin' is one of the oldest rides in the park. The following measures were introduced at the start of this season to improve safety on this ride.

- New seat belts were installed.
- The speed of the ride was reduced slightly.

The number of visitors choosing to ride the 'The Spin' is decreasing. Visitors have made comments on social media referring to the ride as 'boring', and that they do not want to wear the new seat belts.

The marketing department carried out market research to find out why the number of visitors choosing to ride 'The Spin' is decreasing. They chose to use only qualitative methods of market research. This research took place outside of the school holidays.

Explain **one** advantage and **one** disadvantage of the marketing department's decision to use only qualitative market research.

[6 marks]

Advantage: _____

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Disadvantage: _____

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3 (c) TP operates in a competitive market.

Within 50 miles of TP there is:

- a retail park with a large entertainments centre
- a water-based theme park
- a go-kart racing track.

To stay competitive, TP is using the following marketing strategies:

- strategy 1 – introducing a new ride every 3 years, at an average cost of £8 million per ride
- strategy 2 – selling discounted tickets in April and October each year
- strategy 3 – marketing the park to customers in the rest of Europe for the first time.

TP uses the Ansoff Matrix to help decide on its marketing strategy.

Figure 2 is an outline of the Ansoff Matrix.

		Product	
		Existing	New
Market	Existing	Market Penetration	Product Development
	New	Market Development	Diversification

Figure 2

Using the Ansoff Matrix, analyse **each** of the three marketing strategies used by TP.

Evaluate the extent to which **each** of these three strategies will benefit TP.

[9 marks]

4 (a) Which **one** of the following would be included in the financial plan section of a business plan?

[1 mark]

- A** Aims and objectives
- B** Break-even analysis
- C** Industry profile
- D** Legal status

Answer _____

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4 (b)

In December this year, when the theme park is closed, TP plans to hold a drive-in movie event. Customers will watch two Christmas movies from their car. The tickets will be priced at £15 per person and the directors plan to sell 600 tickets.

The finance director has constructed a break-even chart. TP plans to buy headsets which will be provided free to customers. If TP buys 600 headsets, the variable cost of each headset to TP is £8. Fixed costs will be £3000. The break-even chart is shown in **Figure 3**.

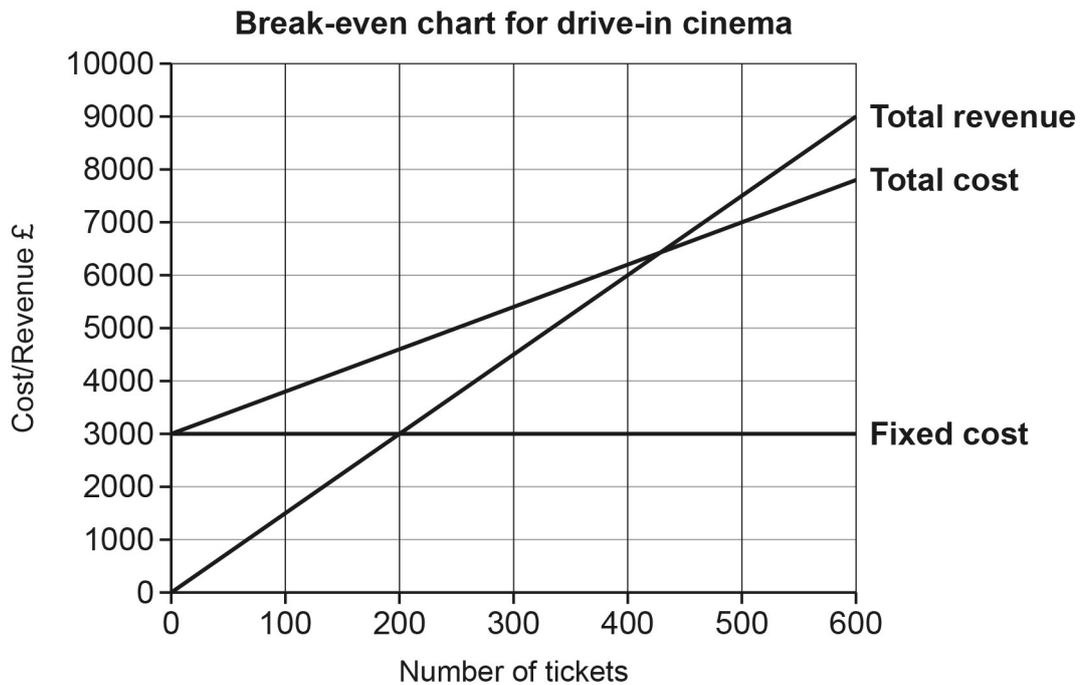


Figure 3

4 (b) (i) Using the break-even chart:

- state the margin of safety if 600 tickets are sold
- state the profit if 600 tickets are sold.

[2 marks]

Margin of safety: _____

Profit: _____

4 (b) (ii) State a formula for calculating break-even.

Calculate how many tickets would need to be sold to break even if the ticket price is increased to £18.

[3 marks]

4 (b) (iii) Explain **one** disadvantage of TP using break-even analysis.

[2 marks]

Please turn over for the next question.

4 (c)

The target market for the drive-in movie event is:

- anyone living within 20 miles of TP
- families with children in primary school
- car owners
- existing customers
- regular cinema goers.

The directors are considering the best way to promote the drive-in event. They have decided on a marketing budget of £1000.

Explain **one** above the line method of promotion **and one** below the line method of promotion the directors could choose.

Which method do you think will have the greatest impact on the profit made by holding the event?

Justify your answer.

[9 marks]

Above the line: _____

Below the line: _____

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

TP earns most of its income from ticket sales, food outlets in the park and merchandising sold through its gift shops. Last year:

- TP increased the ticket price
- TP doubled its spending on marketing early on in the year
- TP received discounts for bulk buying refreshments and stock for the gift shops
- UK wages and salaries rose, on average, by 6%
- the weather was unusually sunny in May, June and September but rained in July and August

Table 1 below shows TP's profitability and liquidity ratios for the previous 2 years.

	2022	2023
Gross profit margin	66%	69%
Net profit margin	32%	25%
Current ratio	1.2:1	1.8:1
Acid test ratio	1:1	0.9:1

Table 1

At the most recent Annual General Meeting the CEO stated, 'TP's financial performance is strong.'

Evaluate the accuracy of the CEO's statement.

You must use the ratios from **Table 1** in your answer.

[13 marks]

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6

Tanveer and her fellow directors are considering refurbishing an existing building and opening it as a hotel. The building is onsite but would be run separately. The hotel will specialise in hosting weddings and be open all year round. The refurbishment would take a year and cost £10 million at today's prices. The directors will finance £5 million of this £10 million through borrowing.

No local hotel specialises in hosting weddings.

Table 2 shows economic and social information provided by the marketing department.

Economic factors	Social factors
There are difficulties filling vacancies in the hospitality industry and these problems are predicted to continue. Wage rates are predicted to increase.	Approximately 250 000 couples marry each year, though this number is steadily declining every year.
The predicted inflation rate is very uncertain. Rates fell towards the end of 2023 and some experts suggest this fall will continue to the end of the year.	Over half of the weddings in the UK do not take place in religious premises or a registry office. This trend is predicted to increase.
Interest rates were just below 5% at the end of 2023 and are unlikely to change over the next 6 months.	Last year, 9000 marriages took place within a 100-mile radius of TP.

Table 2

Choose **four** factors from **Table 2**. Choose **at least one** economic factor and **at least one** social factor.

Analyse the possible impact of **each** of your chosen factors on TP's decision to open the hotel.

Recommend to the directors whether they should go ahead with opening the hotel.

Justify your recommendation.

[13 marks]

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Factor 1: _____

Factor 2: _____

Factor 3: _____

Factor 4: _____

Question 6 continues on the next page.

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

Past Paper