

Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

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Forename(s)

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Candidate signature

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I declare this is my own work.

# A-level BUSINESS

## Paper 1 Business 1

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Tuesday 23 May 2023

Morning

Time allowed: 2 hours

### Materials

For this paper you must have:

- a calculator.

### Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions in **Section A** and **Section B**.
- Answer **one** question from **Section C** and **one** question from **Section D**.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this answer book. Cross through any work you do not want to be marked.

### Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 100.

For Examiner's Use	
Question	Mark
Section A	
16	
17	
18	
19	
20	
21	
22	
23	
24	
<b>TOTAL</b>	



J U N 2 3 7 1 3 2 1 0 1

IB/G/Jun23/E13

**7132/1**

**Section A**Answer **all** questions in this section.Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

**0 1** Which of the following will cause spare capacity in a business to rise?**[1 mark]****A** New competitors are entering the market.**B** The business closes some factories.**C** The business's product becomes more fashionable.**D** There is a successful advertising campaign.**0 2** **Statement 1:** 'Value added can be increased by creating barriers to entry.'**Statement 2:** 'Value added can be increased by lowering unit costs.'**Read statements 1 and 2 and select the correct option from the following:****[1 mark]****A** Statement 1 is true. Statement 2 is true.**B** Statement 1 is true. Statement 2 is false.**C** Statement 1 is false. Statement 2 is true.**D** Statement 1 is false. Statement 2 is false.

**0 3**

A women's clothes store adds furniture to its range in order to increase spending by its existing customers.

According to Ansoff's matrix this is an example of

**[1 mark]**

- A** diversification.
- B** market development.
- C** market penetration.
- D** product development.

**Turn over for the next question**



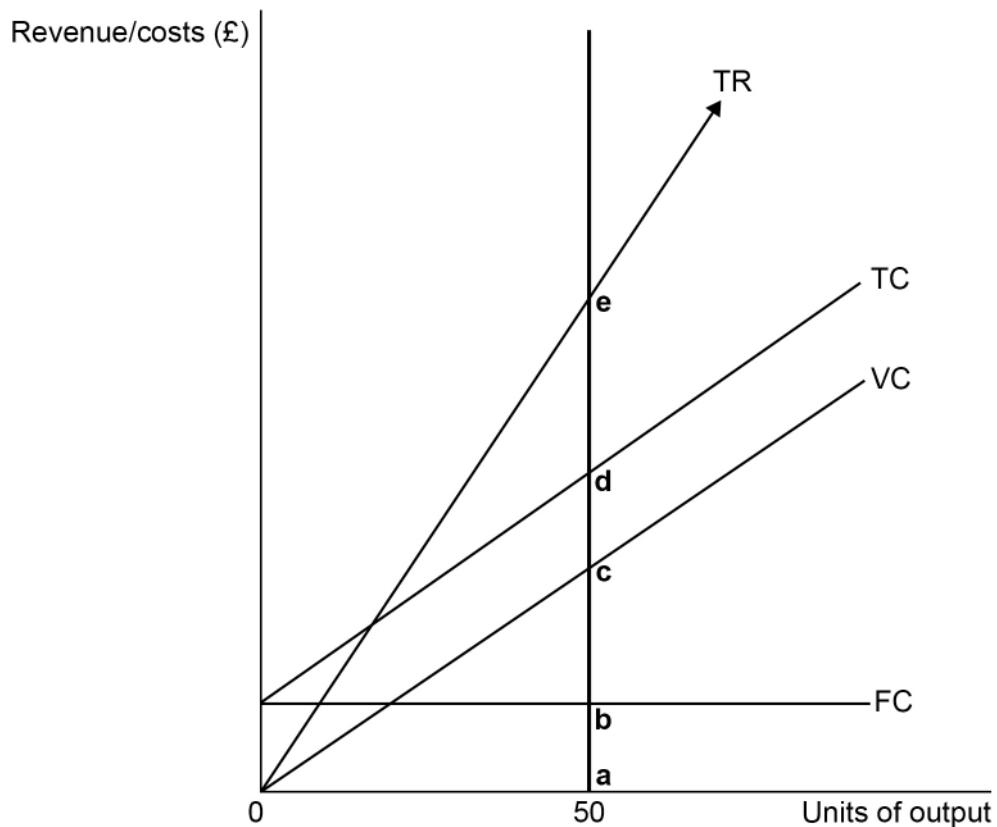
0 3

**Turn over ►**

0 4

**Figure 1** shows a break-even chart.

**Figure 1**



**Statement 1:** 'At 50 units of output, the distance between **c** and **d** shows the level of fixed costs.'

**Statement 2:** 'At 50 units of output, the distance between **c** and **e** shows the total contribution.'

**Read statements 1 and 2 and select the correct option from the following:**

**[1 mark]**

- A** Statement 1 is true. Statement 2 is true.
- B** Statement 1 is true. Statement 2 is false.
- C** Statement 1 is false. Statement 2 is true.
- D** Statement 1 is false. Statement 2 is false.






**0 5**

**Statement 1:** 'According to Blake Mouton, a country club leader has a greater concern for production than a produce or perish leader.'

**Statement 2:** 'According to Blake Mouton, a team leader has a greater concern for production than a middle of the road leader.'

**Read statements 1 and 2 and select the correct option from the following:**

**[1 mark]**

**A** Statement 1 is true. Statement 2 is true.

**B** Statement 1 is true. Statement 2 is false.

**C** Statement 1 is false. Statement 2 is true.

**D** Statement 1 is false. Statement 2 is false.

**0 6**

Which government policy is most likely to increase **both** GDP and inflation?

**[1 mark]**

**A** Higher interest rates

**B** Higher tax on goods

**C** Lower income taxes

**D** More open trade

**0 7**

A business starts to use 'kaizen'.

This should lead to

**[1 mark]**

**A** external, disruptive change.

**B** external, incremental change.

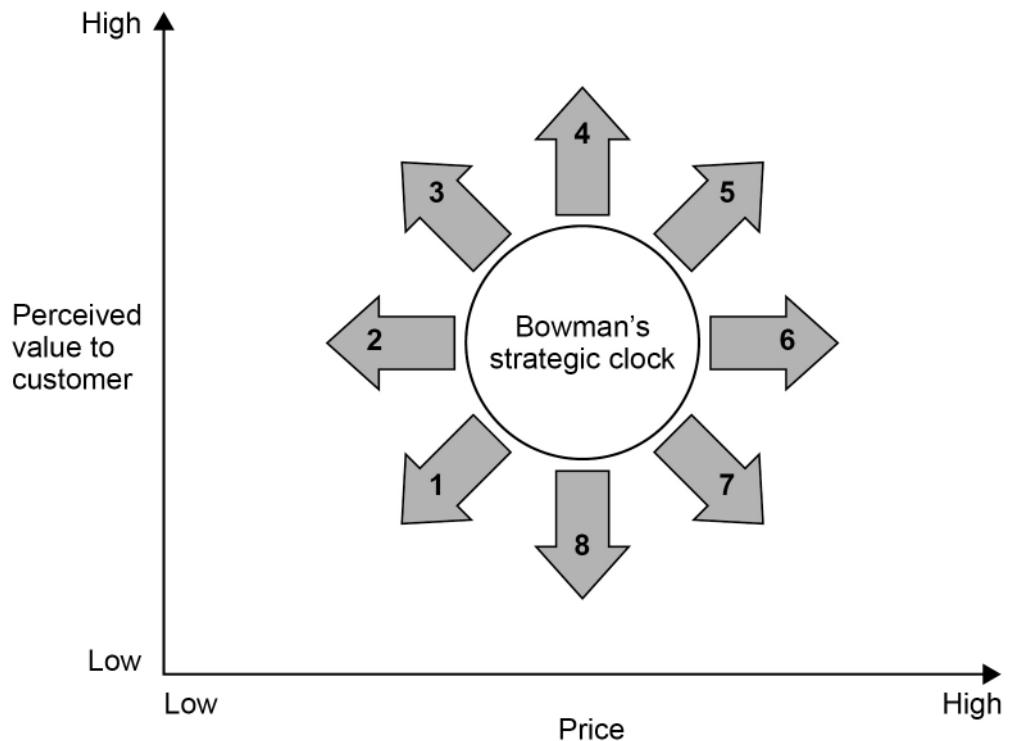
**C** internal, disruptive change.

**D** internal, incremental change.



**0 8** **Figure 2** shows Bowman's strategic clock.

**Figure 2**



Which positions did Bowman consider to be **undesirable** strategies?

**[1 mark]**

- A** 1, 2 and 3
- B** 1, 7 and 8
- C** 4, 5 and 6
- D** 6, 7 and 8






0 9

**Statement 1:** 'An increase in rent paid by a business will have no effect on its gross profit.'

**Statement 2:** 'An increase in tax on a business's profit will have no effect on its profit for the year.'

**Read statements 1 and 2 and select the correct option from the following:**

[1 mark]

A Statement 1 is true. Statement 2 is true.

B Statement 1 is true. Statement 2 is false.

C Statement 1 is false. Statement 2 is true.

D Statement 1 is false. Statement 2 is false.

1 0

Which of the following statements is **false**?

[1 mark]

A Profit is a financial target for all businesses.

B Profit is a measure of performance in Elkington's triple bottom line.

C Profit is a reward for risk-taking.

D Profit is a source of finance.

1 1

**Statement 1:** 'If a limited company stops trading, the shareholders will be expected to sell personal assets to pay the company's debts.'

**Statement 2:** 'If a limited company stops trading, the business will always pay its payables in full.'

**Read statements 1 and 2 and select the correct option from the following:**

[1 mark]

A Statement 1 is true. Statement 2 is true.

B Statement 1 is true. Statement 2 is false.

C Statement 1 is false. Statement 2 is true.

D Statement 1 is false. Statement 2 is false.

Turn over ►



Questions 12 and 13 are based on the following data, which relates to business X.

Year	2020	2021
Revenue	£1 000 000	£1 000 000
Average price per unit	£5	£5
Units of output	200 000	200 000
Number of employees	20	22
Number of leavers	6	6
Total employee costs	£500 000	£550 000

**1 2** Which **one** of the following outcomes happened between 2020 and 2021 for business X?

[1 mark]

	Labour productivity	Labour turnover	
A	Decreased	Decreased	<input type="radio"/>
B	Decreased	Increased	<input type="radio"/>
C	Increased	Decreased	<input type="radio"/>
D	Increased	Increased	<input type="radio"/>

**1 3** Which **one** of the following outcomes happened between 2020 and 2021 for business X?

[1 mark]

	Employee costs per unit	Employee costs as a percentage of turnover	
A	Decreased	Decreased	<input type="radio"/>
B	Decreased	Increased	<input type="radio"/>
C	Increased	Decreased	<input type="radio"/>
D	Increased	Increased	<input type="radio"/>



**1 4**

Which of the following actions would improve the ability of a manufacturer to respond to changes in consumer demand?

**[1 mark]**

- A** Ensuring workers are highly trained in one specialised role
- B** Maintaining high capacity utilisation levels
- C** Outsourcing more production to other manufacturers
- D** Reducing warehouse size in order to minimise levels of inventory

**1 5**

A food manufacturer buys two businesses: a direct competitor and a food wholesaler.

What is this an example of?

**[1 mark]**

- A** Backward vertical integration and forward vertical integration
- B** Conglomerate integration
- C** Horizontal integration and backward vertical integration
- D** Horizontal integration and forward vertical integration

**15**

**Turn over for Section B**



0 9

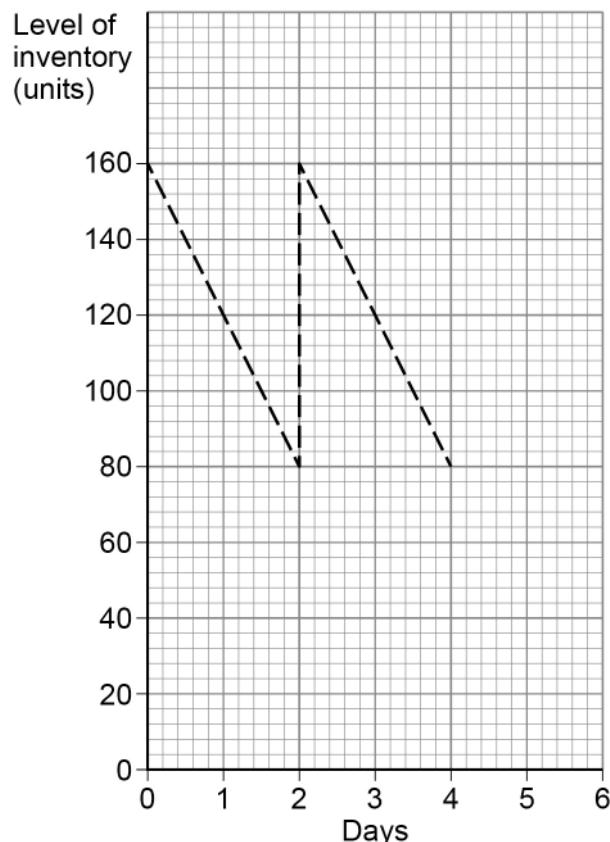
**Turn over ►**

**Section B**

Answer **all** questions in this section.

**1 6**

Question **16** is based on **Figure 3**, which shows the level of inventory for a product held in a supermarket until the end of day 4.

**Figure 3**

The reorder quantity arriving at the end of day 4 is half the level of the reorder quantity that arrived at the end of day 2.

After the end of day 4 to the end of day 6 demand will fall to 30 units per day.

Show these **two** changes on **Figure 3** by drawing in the lines that show inventory levels from the end of day 4 to the end of day 6.

**[4 marks]****4**

1 0

1 7

**Table 1** Extracts from financial records of Wot plcDo not write  
outside the  
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	£m
Non-current assets	38
Current assets	31
Current liabilities	(18)
Non-current liabilities	(24)

Wot plc receives £20 million from selling ordinary shares.

The company uses this money as follows:

- £15 million to purchase machinery
- £3 million to pay off its overdraft
- £2 million to increase inventory levels.

Calculate Wot plc's current ratio **after** these changes.

Show your working.

[4 marks]

Answer \_\_\_\_\_

Working \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

4

**Turn over for the next question**

**Turn over ►**



1 1

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1 | 8

Analyse why a large business might choose to introduce a product into a niche market.

**[9 marks]**

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## Extra space



**1 9** A company sells a single product: Product A.

**Table 2** Income and price elasticity of demand for Product A

Income elasticity of demand	+0.5
Price elasticity of demand	-2.0

During the next year:

- consumer incomes fall
- the price of Product A increases.

Based solely on the information provided above, analyse how the sales revenue for Product A will change over the next year.

**[9 marks]**

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**9**

**Turn over ►**



1 3

20

A business has recently experienced a decline in its level of sales. This led to some redundancies.

Analyse how an understanding of Maslow's hierarchy of needs might help this business to motivate its remaining employees.

**[9 marks]**

## Extra space

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9



## Section C

Answer **either** Question 21 or Question 22.

Shade the lozenge below to indicate which optional question you have answered.

Question **2** **1** **0**

Question **2** **2** **0**

**CORRECT METHOD**

## WRONG METHODS

**2 | 1** Many businesses use contingency planning to prepare for major threats. Some of these contingency plans work well, but others fail to protect the business.

To what extent is the success of a contingency plan for a major threat more dependent on internal factors than external factors?

[25 marks]

OR

**2 | 2** Is it inevitable that large, growing businesses will eventually experience rising unit costs? Justify your view.

**[25 marks]**



Turn over ►



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**Turn over ►**



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25



## Section D

Answer **either** Question 23 **or** Question 24.

Shade the lozenge below to indicate which optional question you have answered.

Question **2** **3**

Question **2** **4** **0**

CORRECT METHOD

## WRONG METHODS

**2 | 3** ‘Emerging economies are beneficial to UK businesses, but only as potential markets to help UK businesses to achieve growth.’

Do you agree? Justify your view.

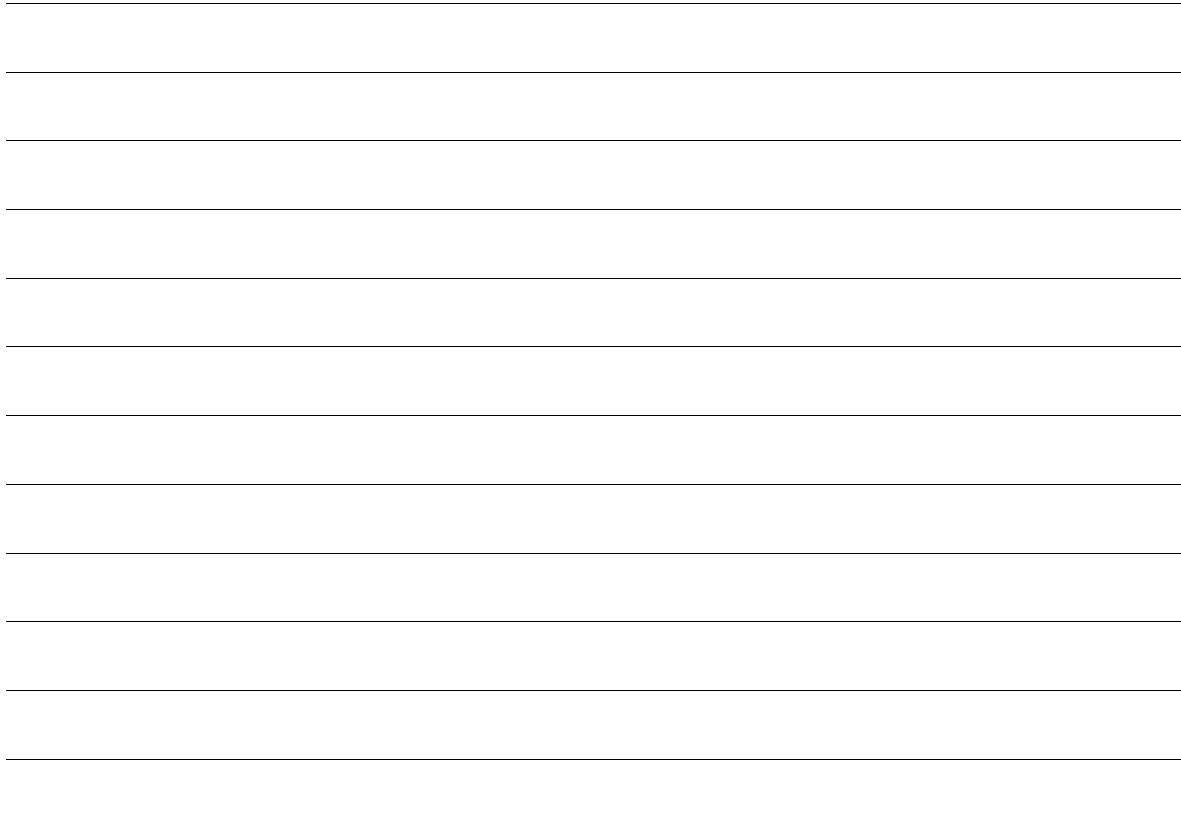
[25 marks]

**OR**

**2 4** A business decides to make increasing profits its main objective.

Is it inevitable that this business will need to improve its quality to achieve this objective? Justify your view.

[25 marks]



**Turn over ►**



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**END OF QUESTIONS**



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ANSWER IN THE SPACES PROVIDED**



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3 2



2 3 6 A 7 1 3 2 / 1

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