Past exam paper questions – Topic 1.3

Q1.

Answer the question with a cross in the box you think is correct ⊠ . If you change your mind about an answer, put a line through the box ⊠ and then mark your new answer with a cross ⊠ .

Which **one** of the following is an example of a non-financial objective for an entrepreneur starting a new business?

Select **one** answer: **(1)**

☒ **A** Survival

☒ **B** Profit

☒ **C** Market share

☒ **D** Independence

(Total for question = 1 mark)

Q2.

Answer the question with a cross in the box you think is correct ⊠ . If you change your mind about an answer, put a line through the box ⊠ and then mark your new answer with a cross ⊠ .

Which **one** of the following is an example of a variable cost?

Select **one** answer: **(1)**

☒ **A** Rent

☒ **B** Raw materials

☒ **C** Insurance

☒ **D** Advertising

(Total for question = 1 mark)

Q3.

Using the information below calculate the total costs for the business. You are advised to show your workings.

Number of units sold: 240

Fixed costs: £1 100

Variable costs per unit: 45 pence **(2)**

£ ....

(Total for question = 2 marks)

Q4.

Look at Figures 1 and 2, read the extract carefully, then answer the question.

The cost of the contactless payment system is £4 500. Neil and Sue plan to borrow the money from their bank. They will repay the loan over three years. Their monthly repayment is £136.50.

Calculate the total interest Neil and Sue will pay for this loan as a percentage of the total amount borrowed. You are advised to show your workings.

(2)

.... %

(Total for question = 2 marks)

Look at Figures 1 and 2, read the following extract carefully, then answer Questions 4, 5 and 6.

Write your answers in the spaces provided.

Neil and Sue Chatterton own and run *Meringue* bakery and cafe. This is located close to a town centre and has lots of passing trade. *Meringue* produces high-quality bread and pastries using traditional methods and high-quality ingredients. Since opening 12 months ago sales have grown strongly. At busy times a queue builds up at the counter as customers wait to pay. Online reviews indicate that this is something that needs to improve.

Neil and Sue are now planning to make greater use of technology to promote the business, and to reduce the time that customers have to wait to pay their bills.

Figure 1

The website has been redesigned to allow customers to order their food before they arrive at the cafe. A contactless payment system will allow customers to pay securely by tapping their smart phones on a reader.

Figure 2 shows a TripAdvisor® review for *Meringue*:

borrowedtheboots
derbyshire

Level **5** Contributor

(A) 57 reviews

(🍴) 27 restaurant reviews

(🏆) 46 helpful votes

"Very good but......"

◉◉◉◉◯ Reviewed 21 October 2013

Excellent food and very friendly staff. This was our first visit and we were made to feel very welcome. Our only complaint, and the reason why we didn't award 5 stars, is due to the time it took to pay for our food when we had finished. Long queue and only one till! Took us 20 minutes...

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Figure 2

Q5.

Look at Figures 1 and 2, read the extract carefully, then answer the questions.

Neil and Sue have produced the following break even diagram, showing the costs and revenue for their business.
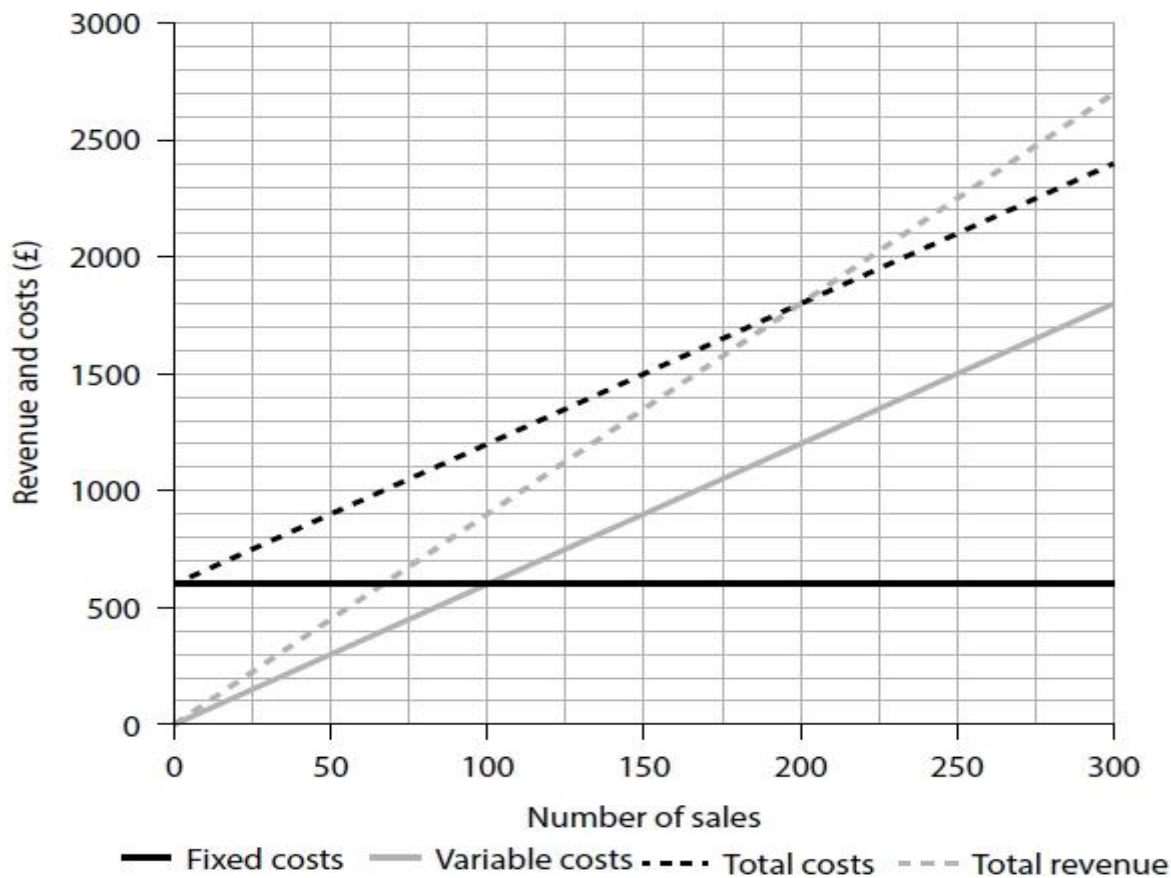
Figure 3

Identify the total number of sales that Neil and Sue will need to break even. **(1)**

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(Total for question = 1 mark)

Q6.

Identify the profit made by *Meringue*, by shading the correct region of the graph in Figure 3.

(1)

(Total for question = 1 mark)

Q7.

State one benefit to *Meringue* of having a low break even level of output.

(1)

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(Total for question = 1 mark)

Q8.

Look at Figures 1 and 2, read the extract carefully, then answer the question.

Neil and Sue are considering two options to reduce the amount they need to sell to break even.

Option 1: Increasing average prices by 10%

Option 2: Reducing the cost of ingredients by using a cheaper supplier

Justify which **one** of these two options Neil and Sue should choose.

(9)

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(Total for question = 9 marks)

Q9.

The table below shows the cash-flow forecast for a small business.

Complete the table with the **two** missing figures. (2)

	August (£)	September (£)
Receipts	17 400	21 770
Raw materials	8 050	9 340
Fixed costs	2 120	2 340
Total payments	10 170	(ii)
Net cash flow	(i)	10 090
Opening balance	5 300	12 530
Closing balance	12 530	22 620

(Total for question = 2 marks)

Q10.

Look at Figures 1 and 2, read the extract carefully, then answer the question.

Analyse the impact on *Meringue* of using a bank loan to pay for the contactless payment system.

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(Total for question = 6 marks)