AQA

A-level
BUSINESS

Paper 1 Business 1

Tuesday 14 May 2024   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	
TOTAL	

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 | In which of these business forms could the owner/owners be required to sell personal assets to pay for business liabilities?

[1 mark]

A Private limited companies and public limited companies ⬭

B Private limited companies and sole traders ⬭

C Public limited companies only ⬭

D Sole traders only ⬭

| 0 | 2 | **Statement 1**: 'Cheaper resources overseas would discourage a UK business which has a low-cost positioning strategy from re-shoring production.'

Statement 2: 'Political instability overseas would discourage a UK business from re-shoring production.'

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. ⬭

Do not write outside the box

| 0 | 3 | Delayering in a business is likely to:

[1 mark]

    A decrease the span of control of managers. ☐

    B improve the speed of vertical communication. ☐

    C increase opportunities for promotion. ☐

    D lead to less autonomy for workers. ☐

| 0 | 4 | The data below shows the budgets of a business for a particular year:

Budgeted income: £200m
Budgeted expenditure: £160m

At the end of the year, the actual income was as budgeted but expenditure was 20% higher than the budget.

This means that the actual profit showed:

[1 mark]

    A a favourable variance of £8 million. ☐

    B a favourable variance of £32 million. ☐

    C an adverse variance of £8 million. ☐

    D an adverse variance of £32 million. ☐

| 0 | 5 | Which one of the following statements is **true**?

In a SWOT analysis:

[1 mark]

    A a recession in the business' main export market is a weakness. ☐

    B an increase in labour productivity in the business is an opportunity. ☐

    C an increase in the number of patents held by a business is a strength. ☐

    D disappointing levels of innovation from research and development are a threat. ☐

Turn over ▶

0 6 **Statement 1**: 'According to Ansoff's matrix, market development involves selling a new product in a new market.'

Statement 2: 'According to Ansoff's matrix, market penetration involves selling an existing product in an existing market.'

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 7 Assuming no other changes, sales revenue for a product will stay the same if:

[1 mark]

A incomes rise by 10% and the income elasticity of demand for the product is 0 ☐

B incomes rise by 10% and the income elasticity of demand for the product is +0.1 ☐

C the price rises by 10% and the price elasticity of demand for the product is 0 ☐
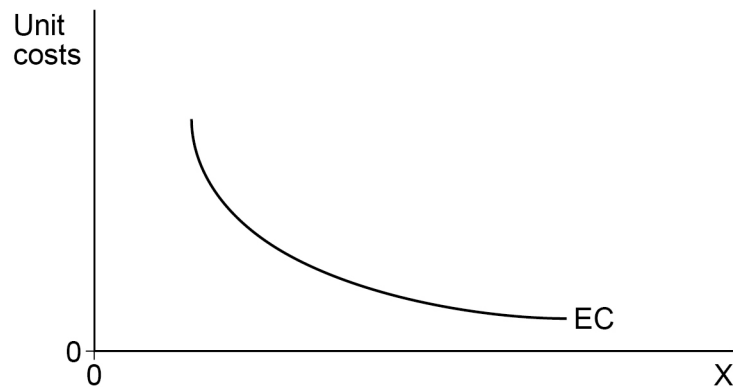
D the price rises by 10% and the price elasticity of demand for the product is –10 ☐

0 8 The diagram below shows 'the experience curve' of a particular business.

The x-axis for this diagram measures:

[1 mark]

A annual output.

B capacity utilisation (%).

C cumulative output.

D employee numbers.

0 9 In a decision tree there are four possible outcomes of an action.

The probabilities of the 1st, 2nd and 3rd outcomes are 0.4, 0.32 and 0.24 respectively.

The probability of the 4th outcome is:

[1 mark]

A 0.04

B 0.16

C 0.32

D 0.4

Turn over ▶

1 0 The data in the table refers to a company's production of a product.

Between 2020 and 2021 there was a decrease in the unit costs of the product.

	2020	2021
Capacity	80	125
Actual output	80	100

Statement 1: 'Between 2020 and 2021, economies of scale might have led to lower unit costs.'

Statement 2: 'Between 2020 and 2021, higher capacity utilisation might have led to lower 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. ◯

1 1 **Statement 1**: 'A business might improve the quality of its product in order to make its demand more price inelastic.'

Statement 2: 'A business might improve the quality of its product in order to achieve a competitive advantage.'

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. ◯

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1 2 The exchange rate for the £ increases.

This will lead to which one of the following outcomes?

[1 mark]

	Costs of imports to UK	Demand for UK exports	
A	Decrease	Decrease	⬭
B	Decrease	Increase	⬭
C	Increase	Decrease	⬭
D	Increase	Increase	⬭

**1 3** A business' current liabilities are three times the level of its current assets.

Shareholders provide 20% of its capital employed.

This business has:

[1 mark]

A a high current ratio and a high gearing. ⬭

B a high current ratio and a low gearing. ⬭

C a low current ratio and a high gearing. ⬭

D a low current ratio and a low gearing. ⬭

Turn over for the next question

Turn over ▶

1 4 Questions **14** and **15** are based on the network below:
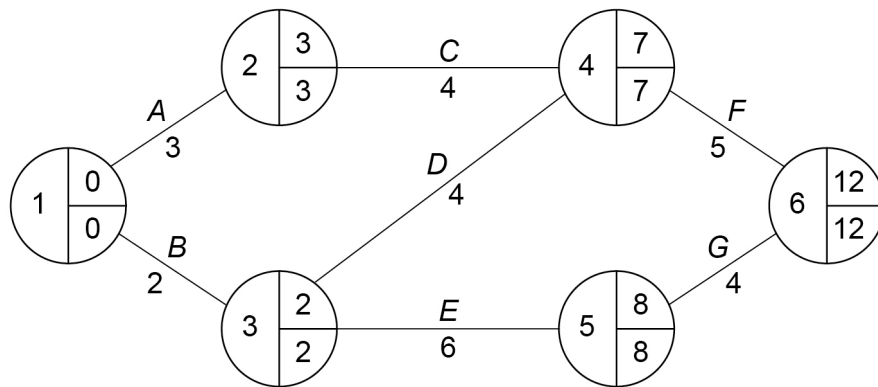
Referring to the network above, which **one** of the following statements is **true**?

[1 mark]

A Activity B is not on a critical path. ⬭

B Activity D is not on a critical path. ⬭

C Activity G is not on a critical path. ⬭

D All of the activities (A to G) are on a critical path. ⬭

1 5 Referring to the network shown above:

If Activity A is delayed by 3 days, the duration of the critical path will:

[1 mark]

A not change. ⬭

B increase by 1 day. ⬭

C increase by 2 days. ⬭

D increase by 3 days. ⬭

15

Section B

Answer **all** questions in this section.

1 6 The data below applies to Product X.

Fixed costs = £8000

Selling price = £10

Variable costs per unit = £6

Total contribution from current level of output = £10 000

Calculate the margin of safety for Product X at its current level of output.

Show your working.

[4 marks]

Answer _____

Working _____

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Turn over for the next question

Turn over ▶

1 7 A company invests £20 million into a new project in Year 0.

In the next two years the predicted net returns of the project, along with the discount factors, are shown in the table below:

Year	Net return (£m)	Discount factor
1	11	0.91
2	12	0.83

Based on the information provided, calculate the expected net present value (NPV) for the new project.

Show your working.

[4 marks]

Answer

Working

4

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1 8 Analyse why a public limited company might prefer to use share capital as a source of finance, rather than a bank loan.

[9 marks]

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Turn over ►

1 9 Analyse why an underperforming business with a role culture might choose to move towards a power culture.

[9 marks]

Extra space

2 0 A UK manufacturer is highly geared and exports 60% of its output.

Analyse the impact of a significant increase in UK interest rates on this business.

[9 marks]

Extra space

9

Turn over ▶

Section C

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

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

Question | 2 | 1 | ⬯   Question | 2 | 2 | ⬯

CORRECT METHOD ⬬   WRONG METHODS ✖ ◉ ⬱ ⬦

| 2 | 1 | To what extent are financial ratios the best way of assessing the performance of non-profit organisations, such as charities or mutuals?

[25 marks]

OR

| 2 | 2 | A business changes its human resource management (HRM) approach from hard HRM to soft HRM.

To what extent is this change guaranteed to increase the motivation of all employees?

[25 marks]

Turn over ▶

Extra space

Turn over ►

25

Turn over ►

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 | ⬯ |

CORRECT METHOD [●]   WRONG METHODS [⊗] [◉] [⬯] [⊘]

| 2 | 3 | To what extent does rapid change in the external environment mean that strategic drift is inevitable for a business?

[25 marks]

OR

| 2 | 4 | Will the introduction of lean production always lead to lower unit costs?

Justify your view.

[25 marks]

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END OF QUESTIONS

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ANSWER IN THE SPACES PROVIDED

Question number	**Additional page, if required.** **Write the question numbers in the left-hand margin.**

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