



**GCE A level**

1084/01

**BUSINESS STUDIES**

**BS4**

A.M. THURSDAY, 21 June 2012

2 hours

1084  
010001

### **ADDITIONAL MATERIALS**

In addition to this examination paper you will need:

- a calculator
- a 12 page answer book.

### **INSTRUCTIONS TO CANDIDATES**

Use black ink or black ball-point pen.

Write your answers in the separate answer book provided.

Answer **all** the questions in Section A and **one** question from Section B.

You are advised to spend no more than 1 hour and 15 minutes on Section A.

### **INFORMATION FOR CANDIDATES**

The number of marks is given in brackets at the end of each question.

You are reminded that assessment will take into account the quality of written communication used in answers that involve extended writing (Section B).

You are reminded that the essay questions in Section B are synoptic and so will test understanding of the connections between different elements of the subject.

## SECTION A

*Answer all the questions.*

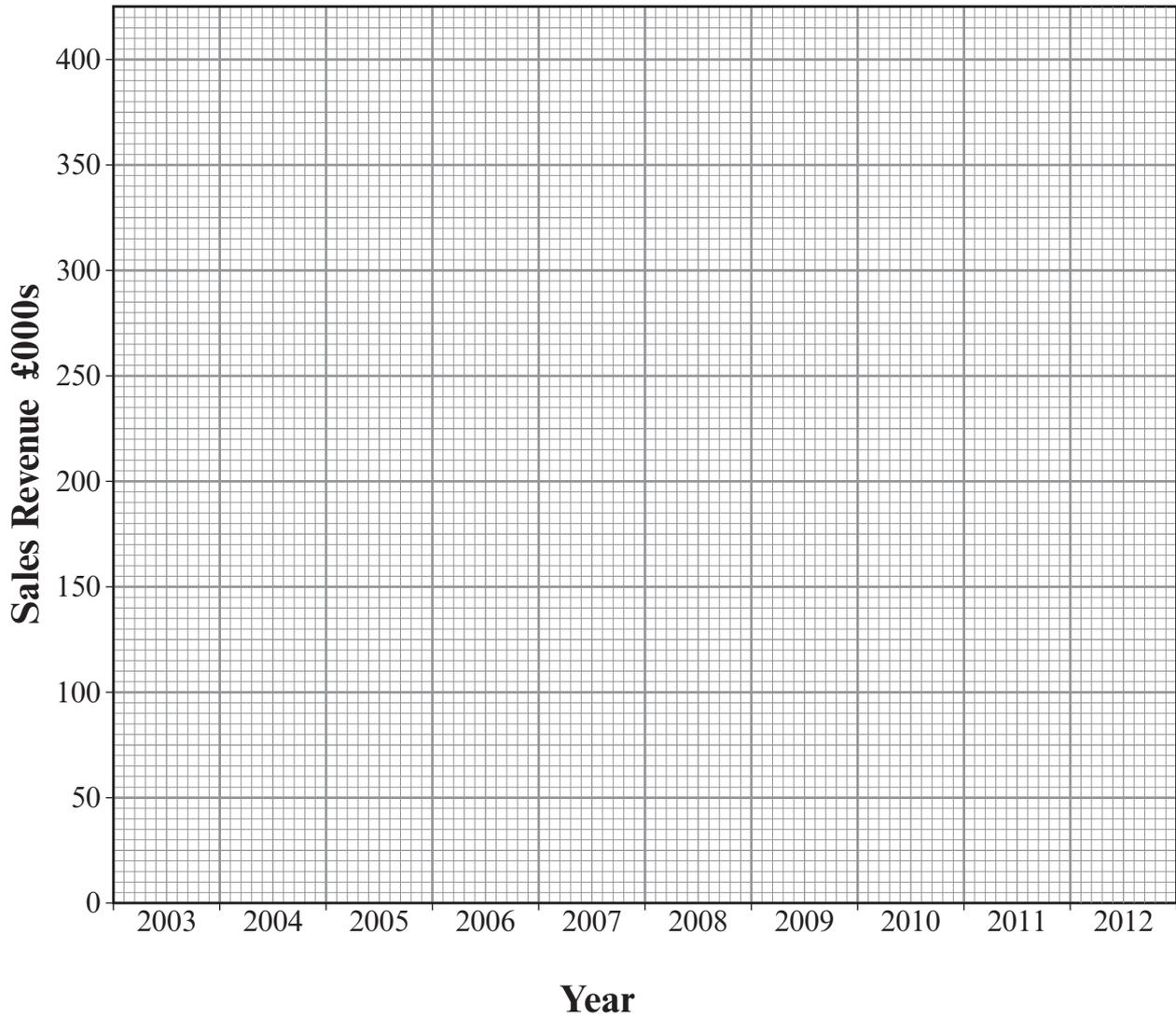
1. Explain, using suitable examples, the reasons for and against the use of contingency planning. [8]
2. JK Lessing Ltd manufactures garden ornaments. The company's sales revenue for the last ten years is given in the table below.

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales Revenue £000s	225	240	270	360	260	340	330	380	280	420



- (a) Calculate a three-year moving average of the company's sales revenue, writing your answers in the table provided on page 3. [3]
- (b) Plot your answers on the graph provided and draw in a **line of best fit**. [2]
- (c) Use the line of best fit to predict the sales revenue for 2012. [1]
- (d) Assess the usefulness of this prediction to the company. [6]

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales Revenue £000s	225	240	270	360	260	340	330	380	280	420
Three-year moving average	-									-



Tear along dotted line and place this page in your answer book.

**TEAR OUT THIS PAGE AND PLACE IT IN YOUR ANSWER BOOK.**

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3. The Jordan family has been in business for over 150 years. Jordans Ltd has a long heritage of using traditional methods in cereal craft, and it prides itself on being one of the first companies to have made wholegrain breakfast cereals. They also produce a range of cereal bars, which are promoted as a healthy alternative to traditional confectionery. The company's products are now sold in all major UK supermarkets.



Suggest ways in which the Ansoff matrix might be of use to Jordans Ltd in devising its marketing strategy. [8]

4. Edgar Wallis Ltd is a transport company with a small fleet of five lorries and a warehouse on an industrial estate on the border between England and Wales. The company specialises in collecting goods from manufacturers and delivering them to its customers, mostly major retail businesses, throughout Wales and the Midlands.

The increase in the sale of goods over the internet in recent years has opened up a new market for the company. Instead of delivering in bulk to stores, more and more of its business involves delivering goods directly to the homes of customers.

In order to satisfy this new demand, the company ideally needs both to upgrade its warehouse and to purchase another lorry. By upgrading the warehouse it will be able to respond more quickly to customer demands, keeping one section for trade customers and the other section for home deliveries. At the moment, some deliveries are late because they have not been loaded onto the correct lorry.

By having an extra lorry, the company will be able to make more home deliveries and cover a wider area. This should enable it to gain new customers. Also, by upgrading its fleet of lorries the company will make savings on fuel costs.

Unfortunately, in the current economic climate, the company's bank is unwilling to lend it sufficient money this financial year to pay for both the warehouse upgrade and the new lorry. A decision has to be made as to which of these two options to select.

Bill Winston, the company accountant, has looked into the problem and has come up with the following information.

#### Purchasing a new lorry

Initial cost = £45 000

Table 1

Year	Estimated Annual Return (£s)
1	15 000
2	15 000
3	20 000
4	20 000
5	25 000

#### Upgrading the warehouse

Initial cost = £40 000

Table 2

Year	Estimated Annual Return (£s)
1	20 000
2	20 000
3	15 000
4	10 000
5	10 000

The discount rate used by Edgar Wallis Ltd is 5%, as shown in the table below.

Table 3

Year	Present Value of £1 at 5%
1	£0.95
2	£0.90
3	£0.86
4	£0.82
5	£0.78

Using the payback and net present value methods of investment appraisal, **and** the other information provided, advise the company as to whether it should buy a new lorry or upgrade the warehouse.

[12]

## SECTION B

*Answer one of the following questions.*

5. “An effective marketing strategy is more important to a business than the motivation of its employees.” Discuss. [20]
  
6. To what extent do you agree that the best way to understand the performance of a business is to analyse its financial accounts? [20]
  
7. Assess the view that globalisation poses more threats to the majority of UK businesses than opportunities. [20]