



GCE A level

1084/01



S15-1084-01

BUSINESS STUDIES – BS4

P.M. WEDNESDAY, 17 June 2015

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).

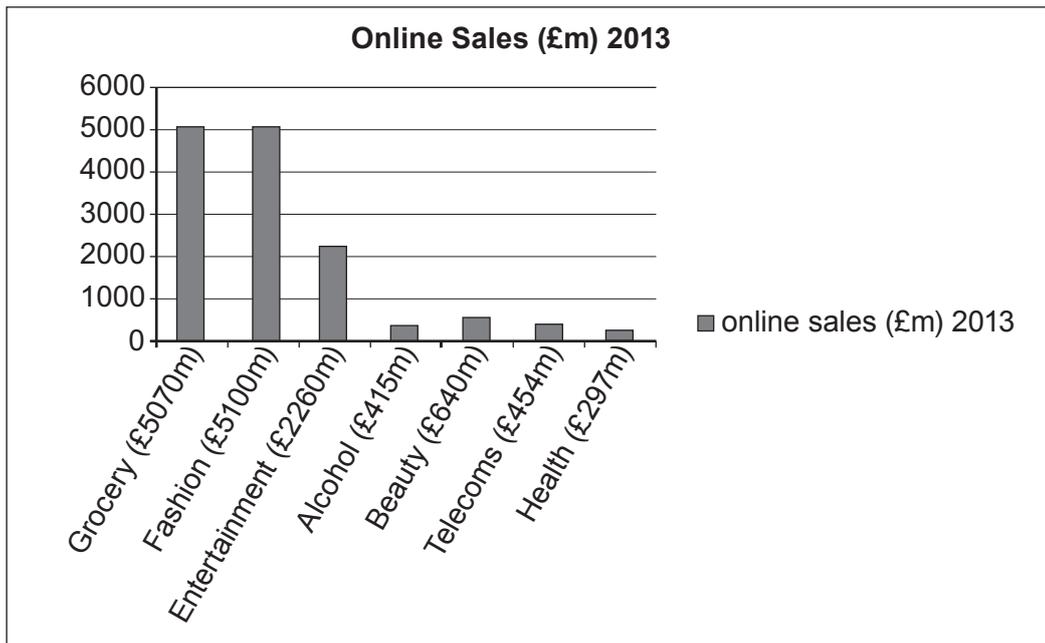
You are reminded that the essay questions in Section B are synoptic and so will test understanding of the connections between different elements of the subject.

SECTION A

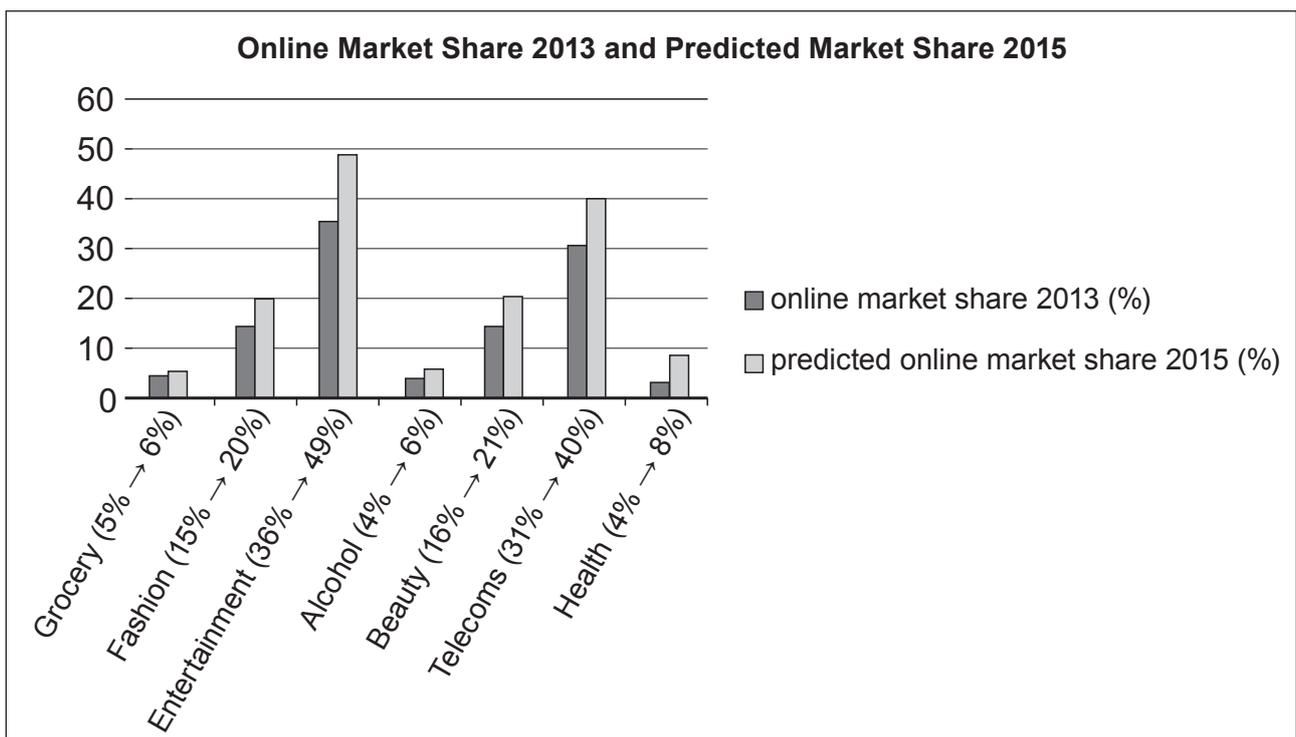
Answer all the questions.

1. Businesses in the United Kingdom are increasingly using the internet to sell their products. Graph A (below) shows the total value of online sales in the seven main retail markets in 2013. Graph B shows the proportion of total sales in these markets that were made online in 2013 and the predicted proportion of total sales for 2015.

Graph A



Graph B



- (a) Calculate to the nearest £billion (£1000m) the total sales value in 2013 for:
- (i) the Grocery market;
 - (ii) the Entertainment market. [2]
- (b) Explain the significance of the information given on page 2 for the future of retail businesses in the UK. [6]

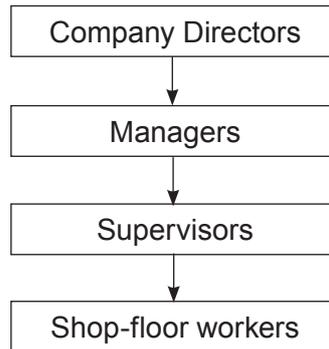
2. Reckitt Benckiser plc is a major manufacturer of medical and household products. The table below lists some of its most successful brands and the number of countries in which each brand is sold.

Brand	Number of countries
Cillit Bang	85
Gaviscon	78
Dettol	73
Nurofen	62
Strepsils	50
Scholl	30
Clearasil	14

Explain how the Ansoff matrix might be useful to a company such as Reckitt Benckiser plc. [6]

3. Edwin Jones Ltd employs 250 staff in its food-processing factory in the South Wales Valleys. Natalie Jones, the company's Human Resources manager, recently carried out a survey of the workforce to discover their attitudes towards the management of the company. The survey revealed a widespread feeling, amongst shop-floor workers, that the management did not communicate with them effectively.

At present, the only method of communication between senior management and the shop floor is the use of verbal messages being passed down through the chain of command, as shown in the diagram below.



Assess other appropriate methods that Natalie might use in order to achieve more effective communication in the workplace. [6]

4. Dick Rogers & Sons Ltd manufactures toothbrushes. Its main customers are supermarkets and other chain stores. In the last few years the market for toothbrushes has been flooded by cheap imports from abroad and the business is experiencing downward pressure on its profit margins.

Each year the company produces 1.5 million toothbrushes and the fixed costs are £225 000. The variable costs per toothbrush are materials 25 pence and labour 20 pence.

Recently, a newly formed company that owns a chain of pharmacies has approached Dick Rogers & Sons Ltd and offered to buy 100 000 toothbrushes at 50 pence each.

- (a) Calculate the total contribution if the offer is accepted. [2]
- (b) Discuss whether the company should accept or reject this offer. [6]

5. Five years ago, two brothers, Jack and Tom Dickens, inherited a fruit farm in Herefordshire. They soon discovered that the price that they were being paid for their fruit was very low and that it would be better for them to add value by producing their own fruit juices and smoothies. They found that there was a ready market for their drinks, as people were now becoming more health conscious. They formed a company, Jubblyjuice Ltd, to manufacture and sell their products.

They now want to expand the business and have decided that they need to purchase a new fruit press and a new bottling plant. Unfortunately, at present their bank is only willing to lend them £40 000 which is just enough money for **one** of these options.

There is an old barn on the farm which would be ideal for the fruit press, as it is near the orchards and the fruit bushes. At present, with their old press, their output is limited to 50 000 litres a year and any surplus fruit that they produce is sold quite cheaply to other fruit juice manufacturers. The new press would enable them to double their output.

Their current bottling plant has the capacity to bottle 80 000 litres a year. The new plant would enable them to bottle 150 000 litres. The barn is not big enough for the new bottling plant, so it would have to be located some distance away.

The press is not used throughout the year, since the fruit itself is seasonal, but the bottling plant could be used for twelve months of the year if the brothers imported concentrated juice from overseas and bottled it themselves at the farm. This is included in the financial projections from year three onwards.

If they decide to go for the fruit press, they can always send away the juice that they cannot bottle themselves to be bottled by another business. The cost of doing this is included in the net cash flow figure for the fruit press given below.

Tom, who took a business degree at university, has calculated the net cash flows from each of these options as follows:

	Fruit Press	Bottling Plant
End of Year 1	£15 000	£5 000
End of Year 2	£15 000	£5 000
End of Year 3	£15 000	£20 000
End of Year 4	£15 000	£20 000
End of Year 5	£15 000	£40 000

Tom used a discount rate of 10% as given in the table below:

Year	Present Value of Income at 10%
1	0.91
2	0.83
3	0.75
4	0.68
5	0.62

- (a) Calculate the pay-back period for **both** options in **years and months**. [2]
- (b) Calculate the net present value of **each** option. [4]
- (c) Taking into account both quantitative and qualitative factors, assess which of these options is likely to bring most benefit to the business. [6]

SECTION B

Answer one of the following questions.

6. “In a rapidly changing environment the most successful businesses are those that empower, rather than control, their workforce.” Discuss. [20]

7. Discuss the view that consumers in the UK would, on the whole, benefit from a larger public sector and a smaller private sector. [20]

8. Consider the view that, when judging business success, financial results will always be the most important factor. [20]

END OF PAPER

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