

ADVANCED GCE
APPLIED BUSINESS
Strategic Decision-Making

F248

Thursday 13 January 2011
Morning

Duration: 2 hours

Candidates answer on the question paper.

OCR supplied materials:

- Clean copy case study

Other materials required:

- A calculator may be used



Candidate forename		Candidate surname	
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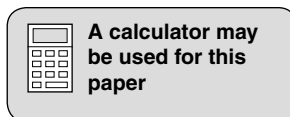
Centre number						Candidate number				
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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- Write your answer to each question in the space provided. Additional paper may be used if necessary but you must clearly show your candidate number, centre number and question number(s).
- Answer **all** the questions.
- Do **not** write in the bar codes.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **100**.
- Your quality of written communication is assessed in the question marked with an asterisk (*).
- This document consists of **20** pages. Any blank pages are indicated.



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1 (a) What is meant by the term 'business objective'?

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..... [2]

(b) Maybeck is soon to have its first discount supermarket. Explain **one** negative impact the opening of the discount supermarket is likely to have on *Greengages*.

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..... [2]

(c) What is a contingency plan?

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..... [2]

[Total: 6]

- 2 Trevor studied the 2010 performance data for both of *Greengages'* shops.

Table 1

Performance Data for Greengages 2010		
	'Station' shop	'University' shop
Purchases per annum	£260 000	£130 000
Stock thrown away per annum at cost price	£2 600	£1 950

Table 2

Indicator	Formula
Wastage rate	$\frac{\text{Stock thrown away per annum at cost price}}{\text{Purchases per annum}} \times 100$

- (a) Using the information given in **Tables 1 and 2** above, calculate the annual wastage rate for **each** of Trevor's shops in 2010. Show your workings.
- (i) The 'Station' shop. [2]
- (ii) The 'University' shop. [2]

	Workings	Annual wastage rate
'Station' shop	 %
'University' shop	 %

(b) Explain **two** possible reasons for the differences in wastage rates between the two shops.

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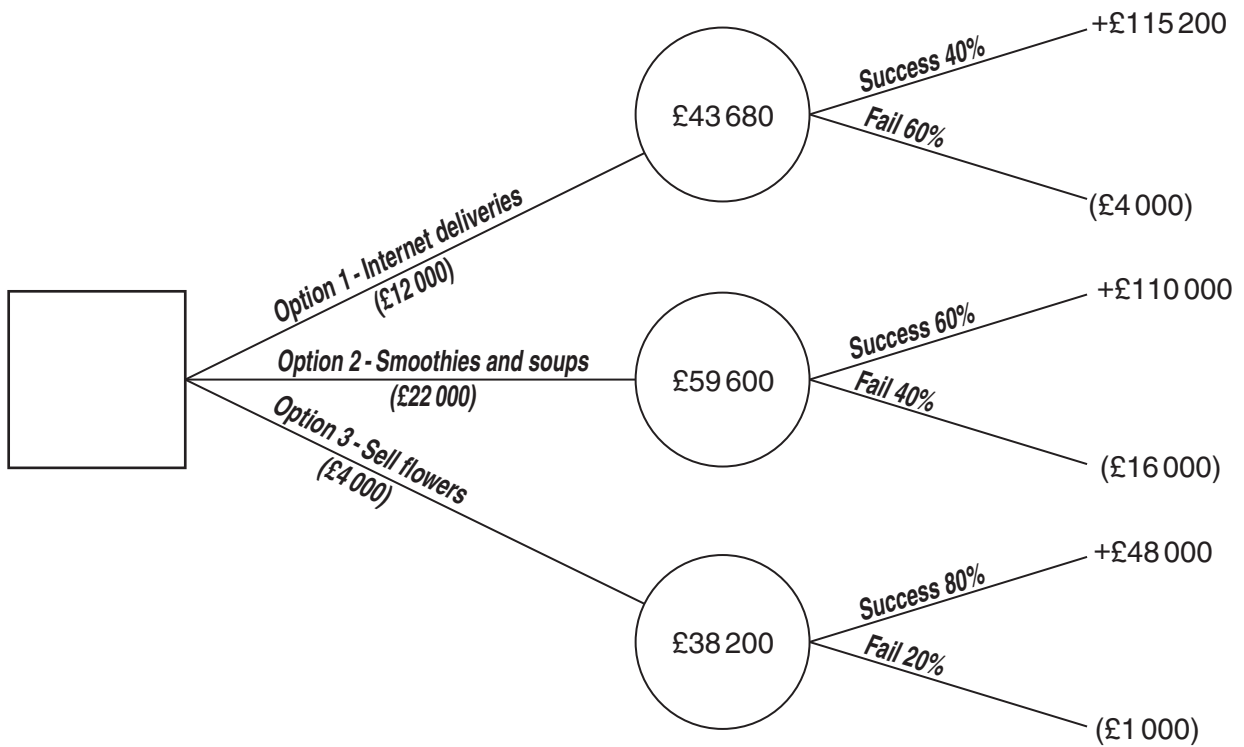
2.
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..... [4]

(c) The rate of labour turnover at both shops in 2010 was high. Explain **one** way in which Trevor might be able to improve *Greengages'* labour turnover rate.

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..... [2]

[Total: 10]

3 Trevor has constructed a decision tree to evaluate the strategic options for his business.



(a) (i) Complete the decision tree above by writing the final expected value in the decision square. [2]

Show your workings:

(ii) According to the decision tree, identify the best option for *Greengages*.

..... [1]

(b) Refer to the decision tree shown on **page 6**.

Identify:

(i) which option has the greatest chance of success;

..... [1]

(ii) which option has the highest predicted return **if successful**.

..... [1]

(c) State **two** disadvantages to a business such as *Greengages* of using a decision tree as a strategic decision-making tool.

1.

.....

2.

..... [2]

[Total: 7]

- 4 Trevor has estimated the net cash-flow for each of the options under consideration.

	Estimated net cash-flow in £s		
Year	Option 1 Internet deliveries	Option 2 Smoothies and soups	Option 3 Sell flowers
0	(12 000)	(22 000)	(4 000)
1	4 000	14 000	6 000
2	16 000	32 000	10 000
3	40 000	32 000	16 000
4	55 200	32 000	16 000

- (a) Calculate, showing your workings, the payback period for **each** of the options under consideration at *Greengages*. In each case express your answer in **months**.

- (i) Option 1 (Internet deliveries). [2]
- (ii) Option 2 (Smoothies and soups). [2]
- (iii) Option 3 (Sell flowers). [2]

Option	Workings	Payback period
1 Internet deliveries	 months
2 Smoothies and soups	 months
3 Sell flowers	 months

5 (a) Explain **two** benefits to a business such as *Greengages* of using Ansoff's Matrix as a strategic decision-making tool.

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..... [4]

(b) Explain **two** limitations to a business such as *Greengages* of using Ansoff's Matrix as a strategic decision-making tool.

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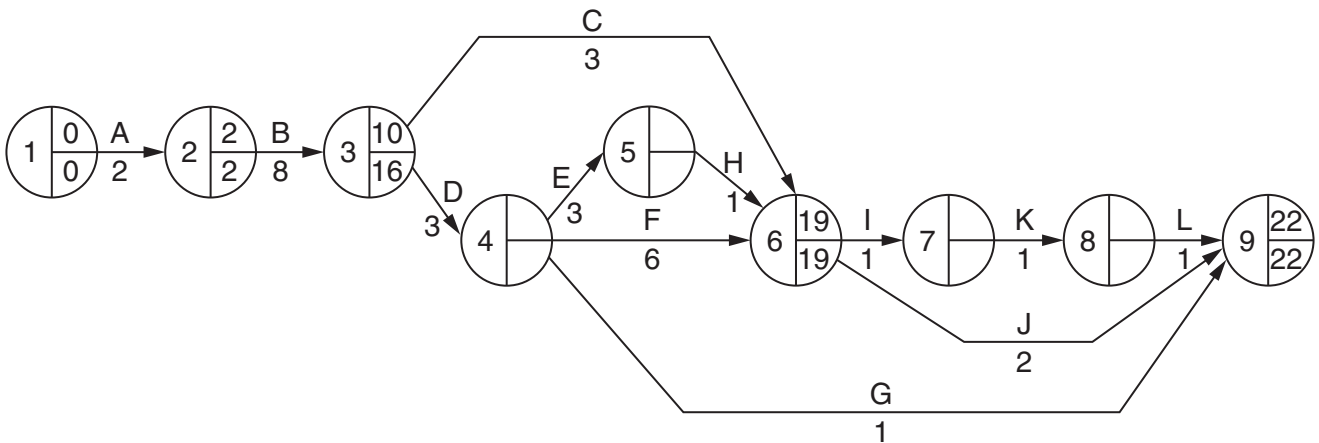
2.
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..... [4]

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- 6 Trevor is considering choosing Options 1 **and** 3 (Internet deliveries **and** Sell flowers). Trevor has produced a critical path analysis to plan the set-up process for both of these options. The steps which would be involved in the combined set-up of these two options are listed below, together with the resulting network diagram.

Activity	Task	Duration (weeks)
A	Draw up draft plans	2
B	Obtain planning permission	8
C	Complete renovations	3
D	Devise marketing strategy	3
E	Advertise for staff (driver and florist)	3
F	Commission website design	6
G	Update van signage	1
H	Interview and recruit staff (driver and florist)	1
I	Install computers and Internet	1
J	Implement marketing strategy	2
K	Train all staff (driver, florist and sales)	1
L	Display stock (flowers, fruit and vegetables)	1

Network diagram



- (a) Complete the EST (earliest start time) and LFT (latest finish time) for each node on the diagram. Nodes 1, 2, 3, 6 and 9 have been completed for you. **[8]**

7 (a) What is the purpose of marketing?

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..... [2]

(b) What is meant by the term 'marketing strategy'?

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..... [2]

(c) Other than marketing, state **two internal** factors which are likely to affect the continued success of *Greengages*.

1.
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2.
..... [2]

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