

ADVANCED GCE
APPLIED BUSINESS
Strategic Decision-Making

F248

Candidates answer on the Question Paper

OCR Supplied Materials:

- Clean copy Case Study

Other Materials Required:

- Calculator

Tuesday 25 May 2010
Morning

Duration: 2 hours



Candidate Forename		Candidate Surname	
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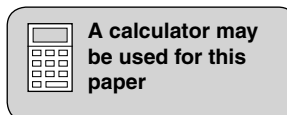
Centre Number						Candidate Number				
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INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- Do **not** write in the bar codes.
- 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).

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**.
- The Quality of your Written Communication is assessed in questions marked with an asterisk (*).
- This document consists of **20** pages. Any blank pages are indicated.



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

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..... [2]

(b) Identify and explain **two** issues about which different stakeholder groups at *Bevan Ltd* are likely to hold conflicting views.

1:

Explanation:

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2:

Explanation:

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..... [6]

(c) Describe **two** advantages to a company such as *Bevan Ltd* of having a mission statement.

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2:

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..... [4]

[Total: 12]

2 The number of production staff leaving *Bevan Ltd* in recent years is given below.

Workforce Data	2008	2009
Number of production staff leaving <i>Bevan Ltd</i>	9	14
Average number of production staff employed by <i>Bevan Ltd</i>	15	20

(a) Calculate the labour turnover rate for *Bevan Ltd's* production staff in **2009**.

Show your workings:

Answer = %

[2]

(b) Evaluate likely problems which *Bevan Ltd* could face as a result of high labour turnover amongst its production staff.

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[8]

(c) If labour turnover continues to rise, crisis management may be required.

What is meant by the term 'crisis management'?

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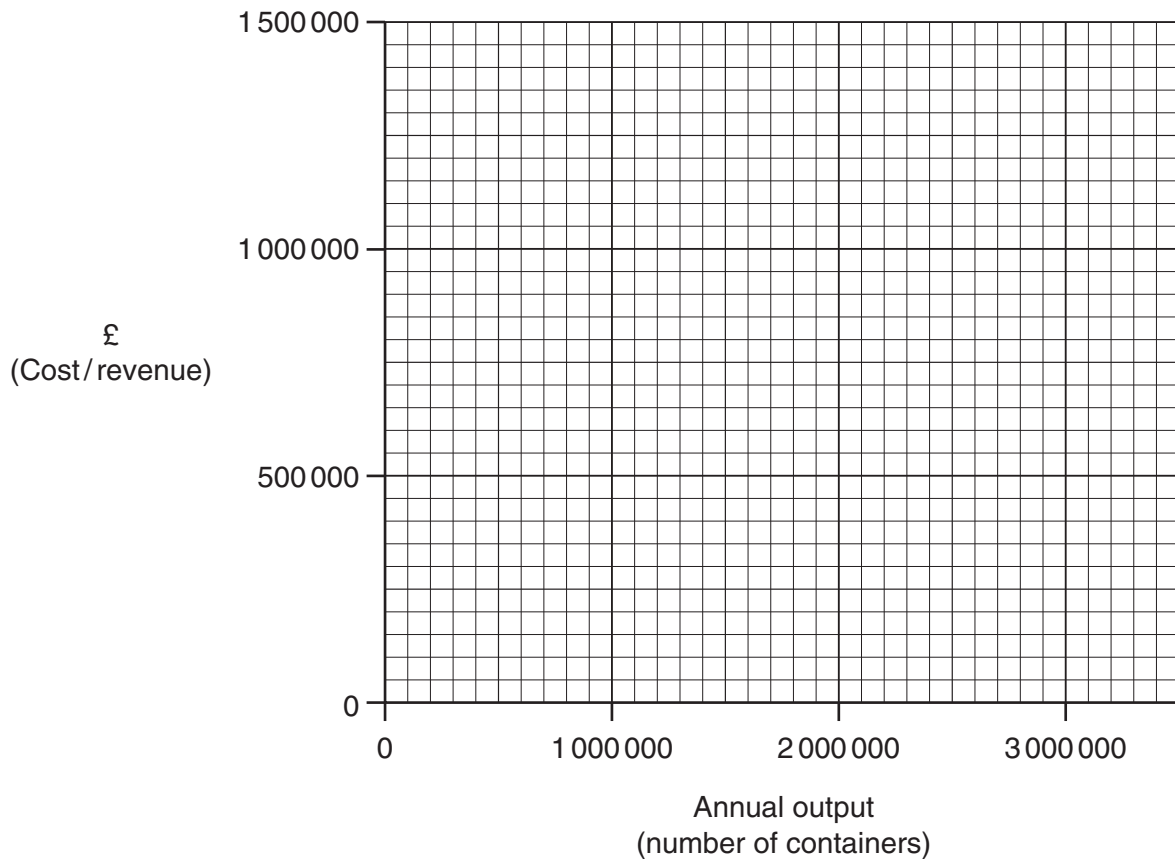
[2]

[Total: 12]

3 In an attempt to analyse *Bevan Ltd's* current situation, Jill calculated the following:

- average selling price of 45p per container of BBB 'shake and make' mix;
- variable costs of 16p per container for materials;
- variable costs of 6p per container for labour;
- fixed costs of £500 000 for the year.

(a) On the grid provided below, draw a break-even graph for *Bevan Ltd's* current situation.



Show your workings:

[7]

(b) Calculate:

(i) using the formula, the break-even point for *Bevan Ltd*'s current situation.

Show your workings:

Break-even point = containers

[3]

(ii) the margin of safety if *Bevan Ltd* sells 3 000 000 containers of BBB 'shake and make' mix this year.

Show your workings:

Margin of safety = containers

[3]

(iii) the profit made if *Bevan Ltd* sells 3 000 000 containers of BBB 'shake and make' mix this year.

Show your workings:

Profit = £

[3]

(c) Describe **two** limitations of using break-even analysis as a decision-making tool.

1:

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2:

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..... [4]

(d) Jill is currently negotiating for *Bevan Ltd's* first contract with a leading supermarket chain. The supermarket chain has offered to purchase 1 000 000 containers of BBB 'shake and make' mix, over the coming year, at a price of 30p per container.

Explain whether or not Jill should accept this offer.

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..... [4]

[Total: 24]

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TURN OVER FOR QUESTION 4

4 Jill has estimated the net cash-flow for both of the options under consideration.

	Estimated net cash-flow in £s	
Year	Option 1 – Pancake parlours	Option 2 – Corporate contracts
0	(900 000)	(400 000)
1	100 000	30 000
2	225 000	60 000
3	275 000	70 000
4	300 000	90 000
5	475 000	100 000
6	550 000	150 000
7	550 000	250 000

(a) Calculate, showing your workings, the Payback Period for **each** of the options.

Option	Workings	Payback period
1		
2		

[4]

- (b) Calculate, showing your workings, the ARR (accounting (average) rate of return) for **each** of the options.

Option	Workings	ARR
1		
2		

[6]

[Total: 10]

5* Evaluate likely **staffing** issues which might arise if *Bevan Ltd*'s shareholders decide to take **Option 2** – Corporate contracts.

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[14]

6 (a) Identify **two** factors in the external environment which a company such as *Bevan Ltd* should take into account when making strategic decisions.

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2:

..... [2]

(b) At their meeting the shareholders **reject** both options and agree to concentrate their efforts on increasing the sales of BBB 'shake and make' mix to shops and supermarkets.

Evaluate this decision using **both** quantitative and qualitative information.

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[Total: 22]

7 Other than **place**, describe **three** elements of the marketing mix which *Bevan Ltd* might use to increase the sales of BBB 'shake and make' mix in shops and supermarkets.

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[6]

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