OCR
RECOGNISING ACHIEVEMENT

ADVANCED GCE UNIT **F248**

APPLIED BUSINESS

UNIT 9: Strategic Decision-Making

THURSDAY 14 JUNE 2007 Morning

Time: 2 hours

Additional materials: Pre-release case study (clean copy); Calculator.

CUP/T25081

Candidate Name

Centre Number

Candidate Number

INSTRUCTIONS TO CANDIDATES

- Write your name, Centre Number and candidate number in the boxes above.
- Answer **all** questions.
- Use blue or black ink. Pencil may be used for graphs and diagrams only.
- Write your answers in the spaces provided on the question paper.
- Read each question carefully and make sure you know what you have to do before starting your answer.
- If you run out of space for an answer, continue on the lined pages at the back of this booklet.
- Tell the invigilator if you do not have something that you need.
- Do **not** write in the bar code.
- Do **not** write outside the box bordering each page.

INFORMATION FOR CANDIDATES

- The number of marks available is given in brackets [ ] at the end of each question or part question.
- The quality of written communication will be taken into account in marking your answer to the question marked with an asterisk (*****).
- The total number of marks for this paper is 100.

FOR EXAMINER'S USE	
1	
2	
3	
4	
5	
TOTAL	

This document consists of **13** printed pages, **2** lined pages and **1** blank page.

[Turn over

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

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..... [2]

(b) Identify **one** possible strategic objective for Michael's new business for:

(i) Option 1 – The Fun House: .....

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(ii) Option 2 – The Red Lion Hotel: .....

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(iii) Option 3 – The Red Lion Carvery: .....

.....[3]

(c) Identify **one** advantage to Michael of formulating business objectives.

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(d) Evaluate the usefulness of **Porter's Work** to Michael when making strategic decisions for The Red Lion Inn.

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[Total: 16]

The Red Lion Inn – Performance Data	
Total number of staff	20
Bar staff	6
Kitchen staff	10
Cleaners	2
Managers	2
Bar sales	20 000 drinks per month (approx)
Restaurant sales	4 200 meals per month (approx)
Pub wastage levels	150 drinks per month (approx)
Restaurant wastage levels	140 meals per month (approx)
Bar staff leavers	1 per annum
Kitchen staff leavers	4 per annum
Bar staff absences	30 days per annum
Kitchen staff absences	95 days per annum
Bar health and safety days lost	3 days per annum
Kitchen health and safety days lost	12 days per annum

2 **(a)** **(i)** What is meant by the term 'labour turnover'?

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(ii) What is meant by the term 'labour productivity'?

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(b) Using the information in the table opposite and **Fig. 2** in the case study, calculate the missing measures of personnel effectiveness. [10]

	Measure	Workings	Result for The Red Lion Inn	
			Kitchen (excluding managers)	Bar (excluding managers)
1	Labour Turnover			16.67%
2	Absenteeism			1.37%
3	Labour Productivity			3333 pints per month
4	Waste Levels			3.33%
5	Health and Safety			0.013%

(c) Evaluate the possible reasons for the differences in personnel effectiveness between the bar staff and kitchen staff at The Red Lion Inn.

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[Total: 24]

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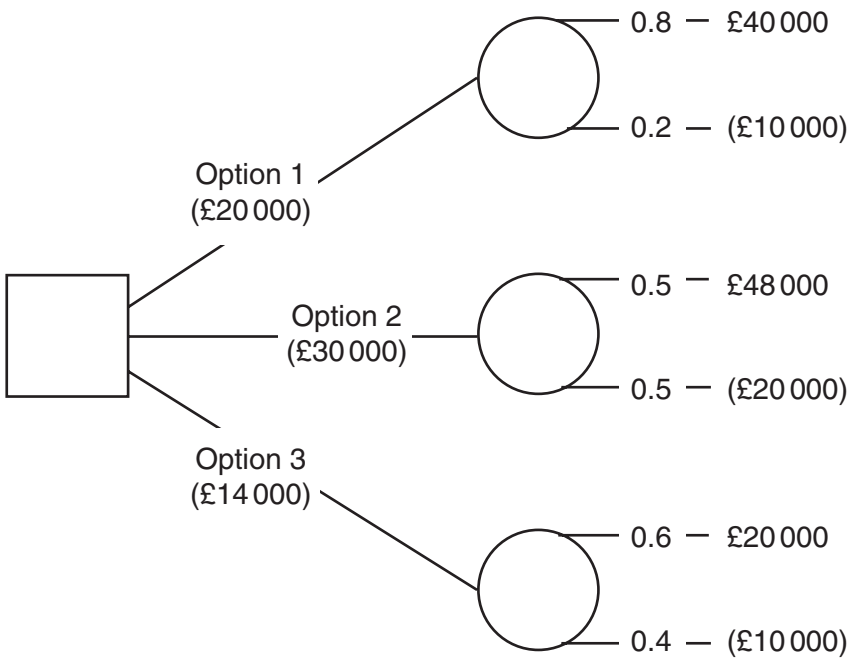
Using his new business textbook, Michael decided to construct a decision tree to evaluate the strategic options for his business.

3 **(a)** Complete the decision tree below to calculate the expected values of each of the **three options** identified by Michael. [9]



Show your working:

(b) Identify the best option as recommended by the decision tree.

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(c) Assess the extent to which a decision tree is useful in strategic decision-making at The Red Lion Inn.

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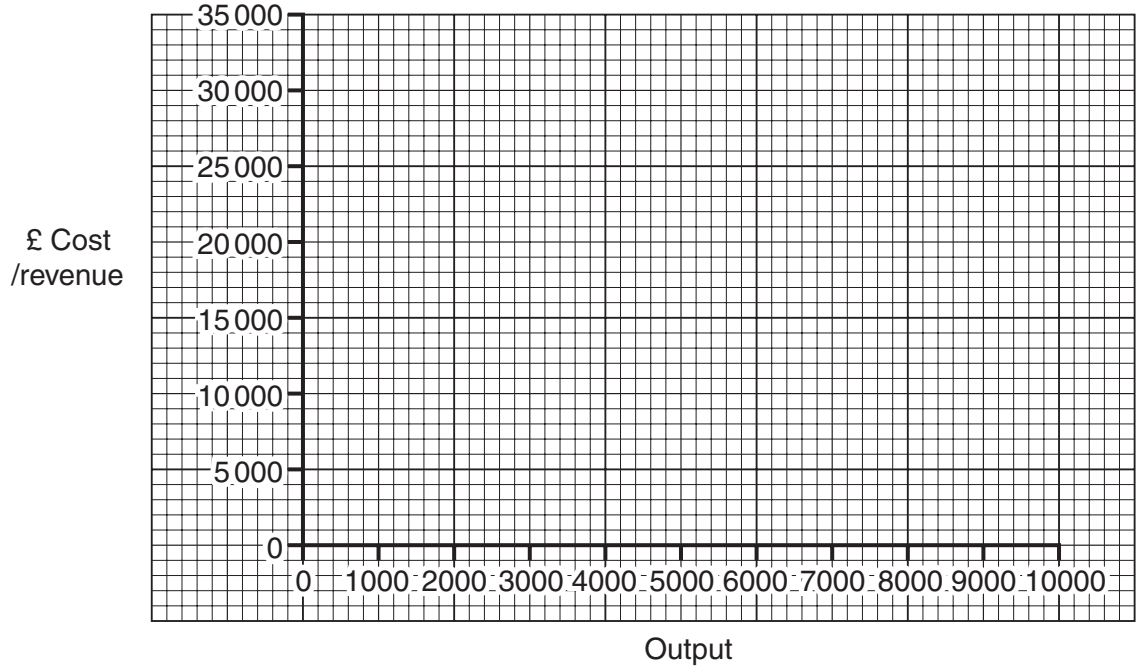
[Total: 20]

Having made a decision to investigate Option 1 – The Fun House further, Michael decided to undertake a break-even analysis for that option. He worked out, based on competitors' prices, that he could charge £3 per child for entry to The Fun House. He would incur costs per child of £0.50 for a soft drink and an estimated £0.25 per child for heating and lighting. Michael had identified a fixed cost for this option of £20 000 per annum. From this information he could calculate how many customers he would need to reach his break-even point.

4 **(a)** On the grid provided below, draw a break-even graph for this option. [7]



Show your working:

(b) Using the break-even formula, calculate the break-even point for The Fun House. [3]

Show your working:

Break-even point = ...

(c) Calculate:

(i) The margin of safety if Michael attracts 11 000 customers per annum. [2]

Show your working:

Margin of safety = ...

(ii) The profit made by this option if Michael attracts 11 000 customers per annum. [3]

Show your working:

Profit = ...

Let's Party, a local business organising children's events, has approached Michael with a proposal to use The Fun House to host some of its events. Let's Party has offered to pay £1 per child and guarantees three events per month.

(d) Discuss whether Michael should accept this proposal from Let's Party.

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[Total: 25]

5* Recommend and justify which of the **three** strategic options Michael should choose for the future development of The Red Lion Inn.

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If you use these lined pages, you **must** write the question number next to your answer.