

**ADVANCED GCE  
 APPLIED BUSINESS**

**F248**

Unit 9: Strategic Decision-Making

**FRIDAY 11 JANUARY 2008**

Afternoon  
 Time: 2 hours

Candidates answer on the question paper

**Additional materials (enclosed):** Clean copy Case Study

**Additional materials (required):**

Calculator



Candidate  
 Forename

Candidate  
 Surname

Centre  
 Number

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Candidate  
 Number

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**INSTRUCTIONS TO CANDIDATES**

- Write your name in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use blue or 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.
- Do **not** write outside the box bordering each page.
- Write your answer to each question in the space provided.
- Additional answer space is available on the lined pages at the back of this booklet. Answers on these pages **must** be clearly numbered.

**INFORMATION FOR CANDIDATES**

- The number of marks for each question 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 written communication will be taken into account in marking your answer to the question marked with an asterisk (\*).

**FOR EXAMINER'S USE**

1	
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7	
<b>TOTAL</b>	

This document consists of **12** printed pages, **2** lined pages and **2** blank pages.

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1 (a) Other than Spencer and Mike, identify **three** stakeholders in *Wid Fiyah*.

- 1. ....
- 2. ....
- 3. .... [3]

(b) Explain **two** issues which might have caused conflict between stakeholders **before** the **three** options arose at the end of 2007.

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  - 2. ....  
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- ..... [6]

[Total: 9]

2 Spencer decided to do a break-even analysis of **Option One**. He continued to base his calculations on:

- a selling price of £1.50 per pot;
- variable costs of 30p per pot for labour and 25p for materials;
- fixed costs of £200 000;

but production would be scaled up to **batches of 500 pots**.

(a) Using the break-even formula, calculate how many **batches** of *Wid Fiyah* would need to be produced per annum to break-even. [4]

**Show your working:**

Answer: .....

(b) Spencer and Mike decide to produce and sell 650 batches per annum. Calculate:

(i) the margin of safety at this level of output; [2]

**Show your working:**

Answer: .....

(ii) the profit made at this level of output. [3]

**Show your working:**

Answer: .....

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

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  2. ....  
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- ..... [4]





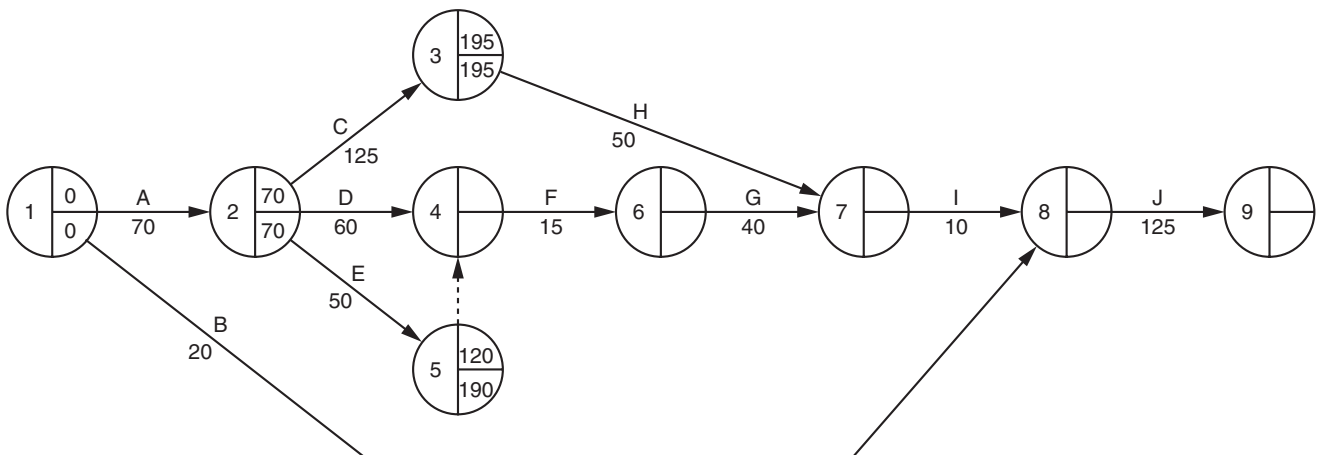
**7**  
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**PLEASE TURN OVER FOR QUESTION 4**  
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- 4 If Spencer and Mike decide to accept **Option One** they have been advised by Alison that the scale of production will have to change, as will efficiency. They put together a table of the activities for the new 500 pots per batch scale of production – along with timing and manning levels.

Activity	Task	Time Duration (minutes)	Manning (workers allocated to task)
A	Arrange ingredients and preparation	70	6
B	Labelling	20	3
C	Slow simmer tomato mix	125	1
D	Special slow simmer variety no. 1 chillies	60	1
E	Special slow simmer variety no. 2 chillies	50	1
F	Spice adjusting	15	4
G	Cooling/maturing time for chillies	40	0
H	Cooling/maturing time for tomato mix	50	0
I	Blending and herbing	10	2
J	Potting and Boxing	125	7

- (a) Using the table above complete the EST (earliest start time) and LFT (latest finish time) for each node on the network diagram. Nodes 1, 2, 3 and 5 are already complete. [10]





(b) Calculate the total float for activities:

(i) B;

[2]

**Show your working:**

Answer: .....

(ii) F.

[2]

**Show your working:**

Answer: .....

(c) Using the information available, explain **two** ways in which *Wid Fiyah* could use the floats to improve efficiency.

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- 2. ....  
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[6]

[Total: 20]

10

- 5 Alison uses a discount rate of 10% to judge the likely performance of her investments. Use the discount factors given to complete the net present value table of **Option 1** in the table below. [4]

Year	Discount factor
0	1.00
1	0.91
2	0.83
3	0.75
4	0.68
5	0.62

**Option 1**

Year	Net cash flow	Present value	Working
0	(250 000)	(250 000)	
1	113 000		
2	123 000		
3	150 000		
	<b>TOTAL</b>		











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