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**OXFORD CAMBRIDGE AND RSA EXAMINATIONS
ADVANCED GCE**

F248

APPLIED BUSINESS

Strategic Decision-Making

THURSDAY 13 JANUARY 2011: Morning

DURATION: 2 hours

SUITABLE FOR VISUALLY IMPAIRED CANDIDATES

Candidates answer on the question paper.

OCR SUPPLIED MATERIALS:

Clean copy case study

OTHER MATERIALS REQUIRED:

A calculator may be used

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

- **Write your name, centre number and candidate number in the boxes on the first page. 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.**

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 (*).**

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1 (a) What is meant by the term ‘business objective’? [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. [2]

(c) What is a contingency plan? [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 opposite, 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. [4]

1. _____

2. _____

(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. [2]

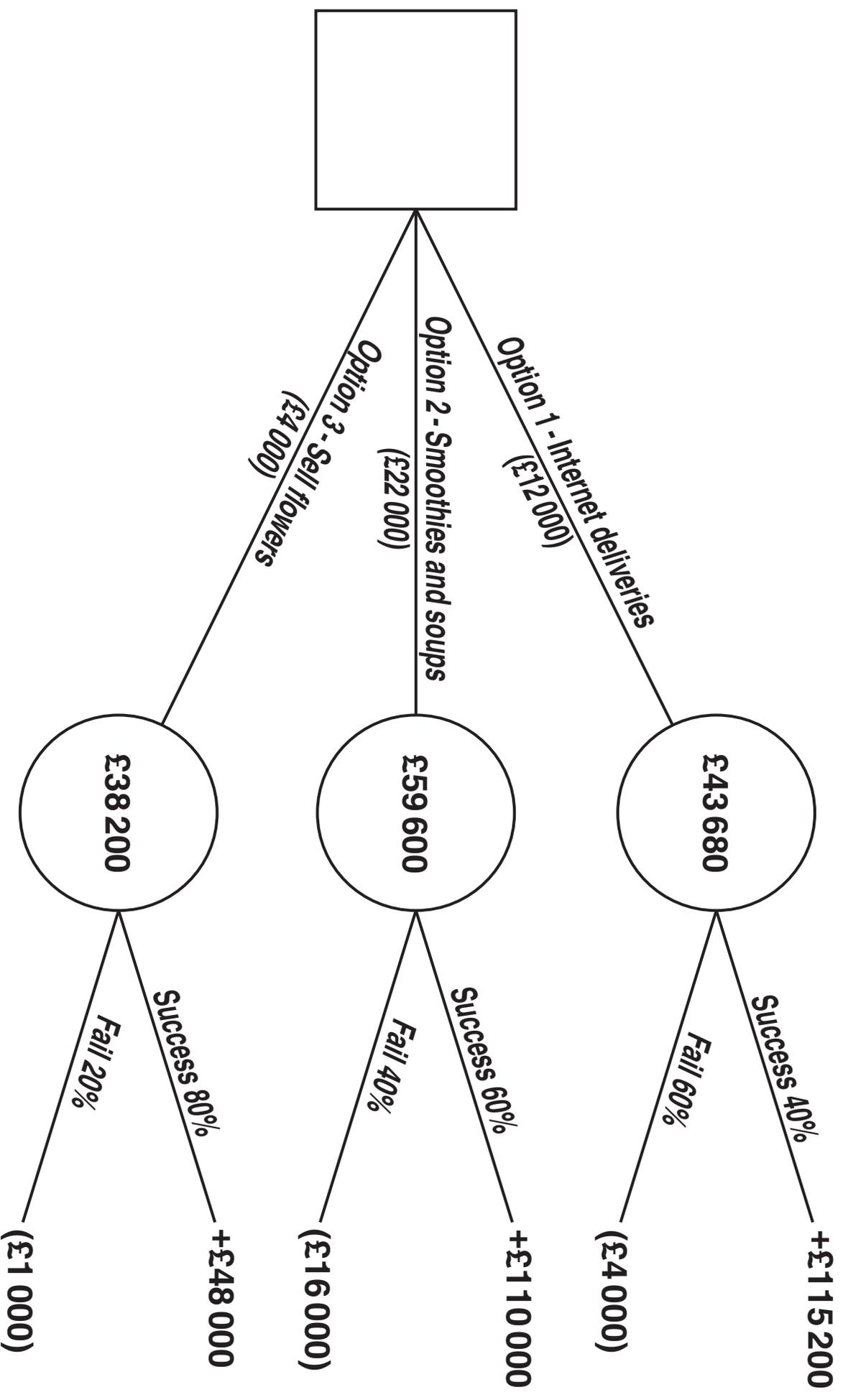
[Total: 10]

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

(a) (i) Complete the decision tree opposite 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 11.

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. [2]

1. _____

2. _____

[Total: 7]

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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

[Total: 14]

5 (a) Explain TWO benefits to a business such as GREENGAGES of using Ansoff's Matrix as a strategic decision-making tool. [4]

1. _____

2. _____

(b) Explain TWO limitations to a business such as GREENGAGES of using Ansoff's Matrix as a strategic decision-making tool. [4]

1. _____

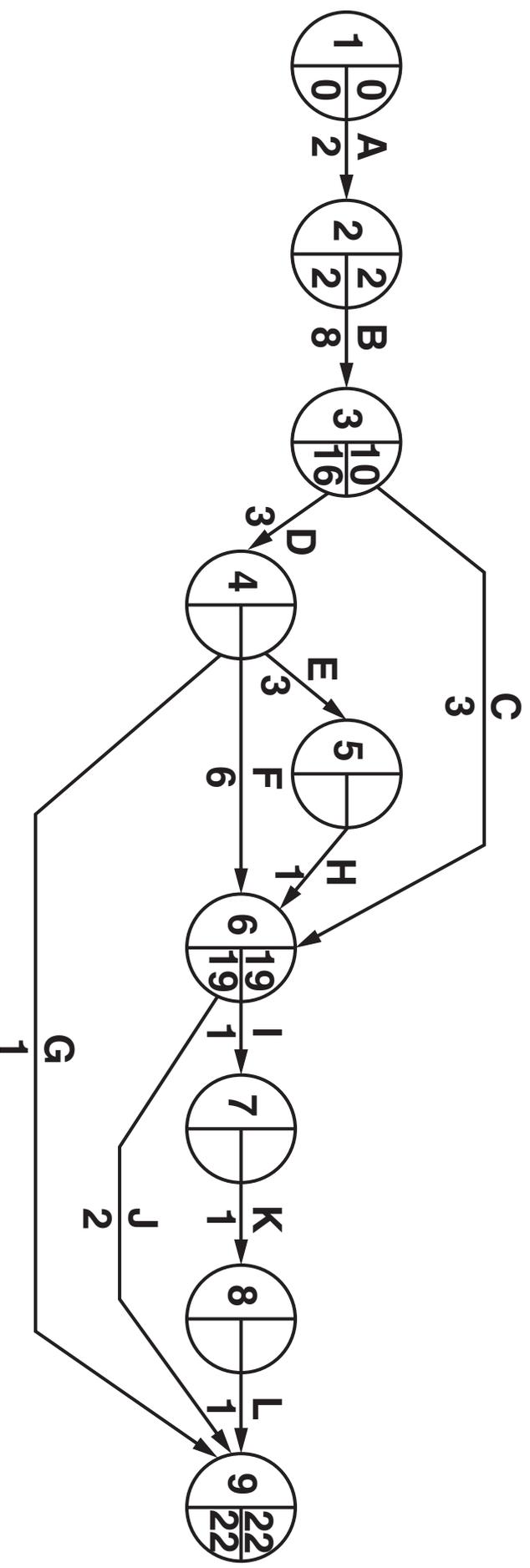
2. _____

[Total: 28]

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, followed by the resulting network diagram on page 25.

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]

(b) Calculate the total float for activity C. [2]

Show your workings:

Total float = _____ weeks

(c) According to the network diagram, identify the shortest length of time it can take to set up these two options. [1]

(d) Explain TWO advantages to a business such as GREENGAGES of using critical path analysis. [4]

1. _____

2. _____

[Total: 15]

7 (a) What is the purpose of marketing? [2]

(b) What is meant by the term 'marketing strategy'? [2]

(c) Other than marketing, state TWO INTERNAL factors which are likely to affect the continued success of GREENGAGES. [2]

1. _____

2. _____

[Total: 20]

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