

ADVANCED GCE
APPLIED BUSINESS
Strategic Decision-Making

F248

Friday 10 June 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	
-----------------------	--	----------------------	--

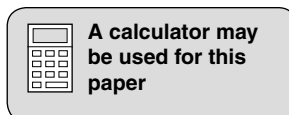
Centre number						Candidate number				
---------------	--	--	--	--	--	------------------	--	--	--	--

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.



PLEASE DO NOT WRITE ON THIS PAGE

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

.....

.....

.....

..... [2]

2 *Tysu Ltd* aims to maximise profit and uses break-even analysis to aid its decision-making.

Current data indicates:

- an average selling price of £180 per tonne of 'Safersurface';
- variable costs of £85 per tonne of 'Safersurface';
- fixed costs of £247 000 for this year.

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

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

(b) Calculate:

(i) the level of output *Tysu Ltd* needs to achieve in order to break-even this year; [2]

Show your workings:

Break-even level of output = tonnes

(ii) the profit which *Tysu Ltd* should make this year if it manages to achieve its target output level of 4 000 tonnes. [3]

Show your workings:

Profit at 4 000 tonnes = £

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

1.
.....
.....
.....
.....
.....
.....

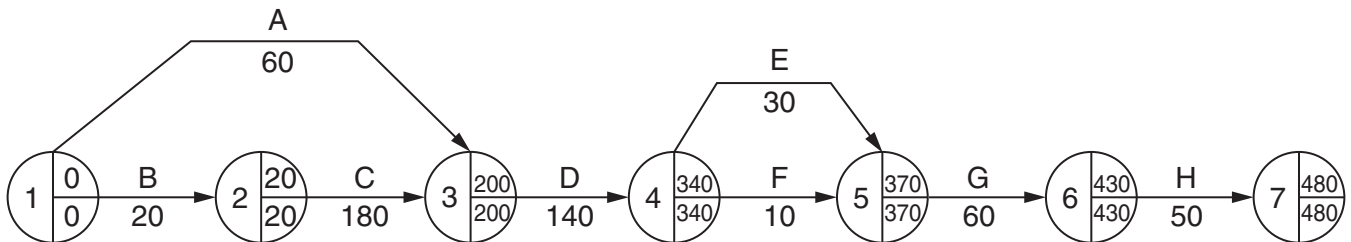
2.
.....
.....
.....
.....
.....
..... [4]

[Total: 11]

3 *Tysu Ltd* uses critical path analysis as part of its production planning.

Tysu Ltd has received an order for a 16 tonne batch of 'Safersurface'. The steps involved in making this 16 tonne batch, together with the resulting network diagram, are given below.

Activity	Task	Duration (minutes)
A	Prepare crumb processor	60
B	Weigh tyres	20
C	Sort tyres	180
D	Load crumb processor	140
E	Add bonding agent	30
F	Add colourant	10
G	Blend aggregate	60
H	Fill storage tanks	50



(a) State **two** benefits to a business of using critical path analysis as a production planning tool.

1.
 2.
- [2]

(b) Assuming production goes to plan, how many **hours** does it take *Tysu Ltd* to make this 16 tonne batch of Safersurface? [2]

Show your workings:

Answer = hours

(c) What is the sequence of activities on the critical path?

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

(d) Calculate the total float for activity A. [2]

Show your workings:

Total float = minutes

[Total: 8]

(d) Explain **one** problem which *Tysu Ltd* could face as a result of a high rate of labour turnover amongst its production staff.

.....

.....

.....

..... [2]

[Total: 8]

- 5 *Tysu Ltd* has done its best to estimate the likely net cash-flow for each of the three options under consideration. In order to compare the expected returns for each option, it wishes to use a discount rate of 10% per annum.

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

- (a) Using the discount factors given above, complete the net present value table for **all three of the options** under consideration. [9]

Net present value table						
Year	Option 1 Target Europe		Option 2 India's Roads		Option 3 Artificial Grass	
	Estimated net cash flow	Present value	Estimated net cash flow	Present value	Estimated net cash flow	Present value
0	(£300 000)	(£300 000)	(£1 200 000)	(£1 200 000)	(£500 000)	(£500 000)
1	£60 000		£50 000		£100 000	
2	£240 000		£150 000		£200 000	
3	£240 000		£900 000		£400 000	
4	£240 000		£1 200 000		£450 000	
NPV	Option 1 =	£	Option 2 =	£	Option 3 =	£

(b) Explain **two** changes in **external economic conditions** which might affect the accuracy of *Tysu Ltd's* cash flow predictions.

- 1.
.....
.....
.....
.....
.....
.....

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

[Total: 13]

A series of 25 horizontal dotted lines spanning the width of the page, intended for writing.

PLEASE DO NOT WRITE ON THIS PAGE



Copyright Information

OCR is committed to seeking permission to reproduce all third-party content that it uses in its assessment materials. OCR has attempted to identify and contact all copyright holders whose work is used in this paper. To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced in the OCR Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download from our public website (www.ocr.org.uk) after the live examination series.

If OCR has unwittingly failed to correctly acknowledge or clear any third-party content in this assessment material, OCR will be happy to correct its mistake at the earliest possible opportunity.

For queries or further information please contact the Copyright Team, First Floor, 9 Hills Road, Cambridge CB2 1GE.

OCR is part of the Cambridge Assessment Group; Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.