

Wednesday 12 June 2013 – Afternoon

A2 GCE APPLIED BUSINESS

F248/01 Strategic Decision-Making

Candidates answer on the Question Paper.

OCR supplied materials:

- Clean copy Case Study

Other materials required:

- A calculator may be used

Duration: 2 hours



Candidate forename		Candidate surname	
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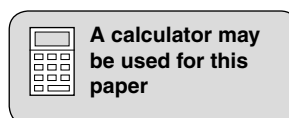
Centre number						Candidate number				
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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. HB pencil may be used for graphs and diagrams only.
- Answer **all** the questions.
- 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).
- 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.
- Your Quality of Written Communication will be assessed in questions marked with an asterisk (*).
- The total number of marks for this paper is **100**.
- This document consists of **20** pages. Any blank pages are indicated.



- 1 Workforce performance data for *Magic Metal Ltd* 2010 – 2012 is shown in Table 1, below.

Table 1

Workforce Performance Data for <i>Magic Metal Ltd</i>			
	2010	2011	2012
Total number of working days	7130	7328	7360
Total number of days of absence	286	352	552
Total number of rings produced	9.7 million	10.6 million	10.2 million
Total number of faulty rings scrapped	48 500	57 000	81 000

- (a) Using the information given in **Table 1**, calculate for *Magic Metal Ltd*:

- (i) the rate of absenteeism in **2012**;

Show your workings:

Rate of absenteeism in 2012 = %

[2]

- (ii) the wastage rate in **2010**.

Show your workings:

Wastage rate in 2010 = %

[2]

(b) Explain **two** benefits to *Magic Metal Ltd* of calculating the rate of absenteeism each year.

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[4]

(c) Explain **two** ways in which *Magic Metal Ltd* could judge whether its annual wastage rate figures are good or bad.

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[4]

2 (a) What is a mission statement?

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..... [2]

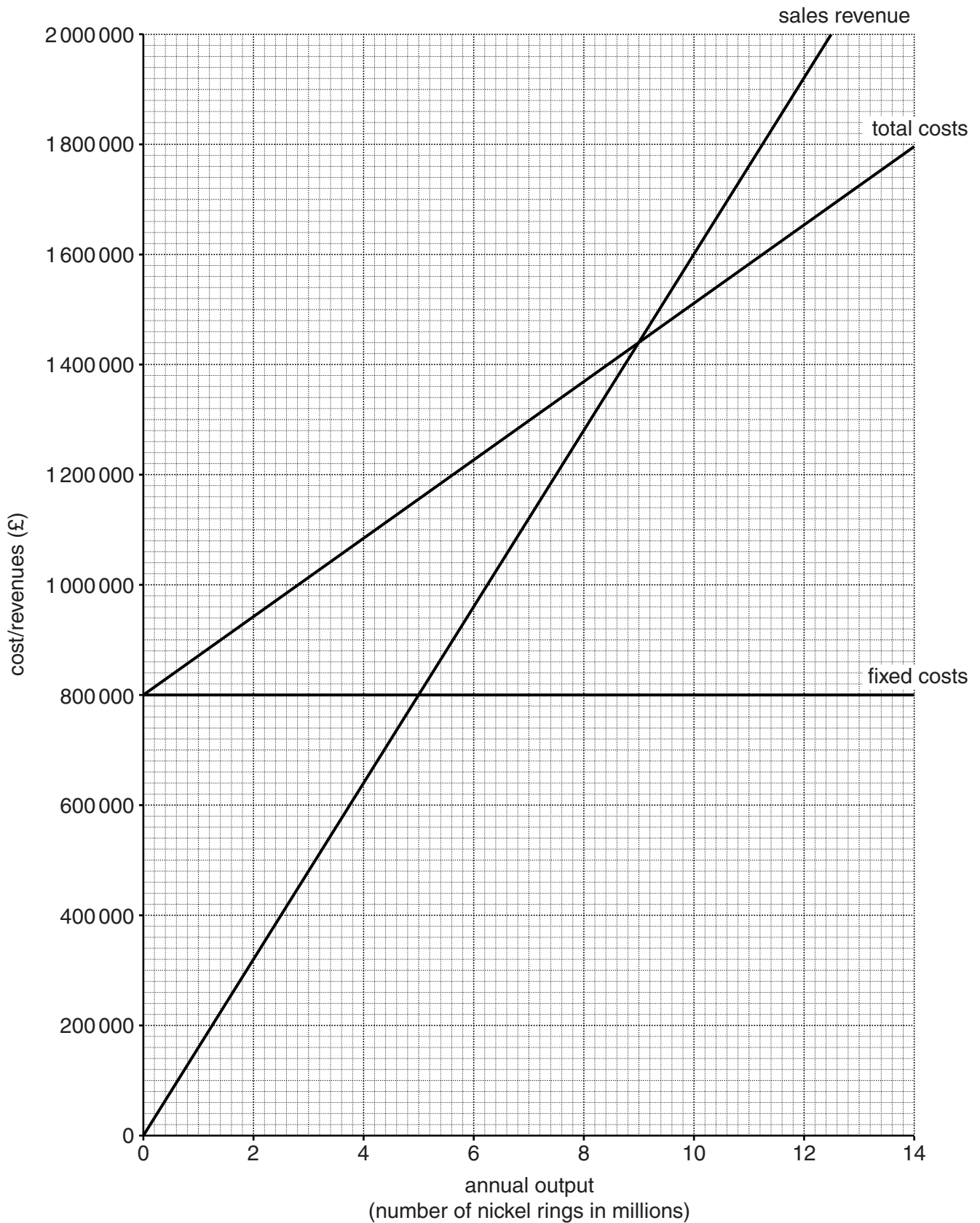
(b) State **four** issues over which employers and employees of a business are likely to hold conflicting views.

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4 [4]

(c) Evaluate the benefits to *Magic Metal Ltd* of establishing a clearer sense of business direction. [8]

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- 3 Pearce has drawn up a break-even chart for the production of *Magic Metal Ltd's* colour-changing nickel rings as shown below.



(a) Using the break-even chart, calculate:

(i) the margin of safety if *Magic Metal Ltd* sells 10 million nickel rings this year;

Show your workings:

Margin of safety =

[2]

(ii) the average selling price of a nickel ring.

Show your workings:

Average selling price = £.....

[3]

(b) In the context of break-even analysis, what is meant by the term ‘contribution’?

..... [1]

(c) Pearce has received a special order request to produce 800 000 colour-changing nickel rings to be used as free gifts in a popular children’s comic at the end of next month. The variable cost per ring would be about 7.5p. The publisher has offered to pay 10p per ring.

Explain whether or not *Magic Metal Ltd* should accept this offer.

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..... [4]

(d) State **four** limitations of using break-even analysis as a decision-making tool to a business such as *Magic Metal Ltd.*

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[4]

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(b) Explain why it is important that the various elements in a marketing strategy integrate with each other.

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- 5 Freya has produced the following figures to help appraise the proposal to enter the European baby clothes market.

Year	Estimated Net Cash-Flow in £s
0	(11 000 000)
1	1 500 000
2	1 500 000
3	2 500 000
4	2 500 000
5	4 500 000
6	3 780 000

- (a) Calculate the payback period for this proposal.

Show your workings:

Payback period =

[2]

- (b) Calculate the ARR (accounting (average) rate of return) for this proposal.

Show your workings:

ARR =%

[4]

- (c) Explain how each of the following changes in external factors might affect the reliability of *Magic Metal Ltd's* investment appraisal figures.

Change in External Factor	Explanation
An increase in the national minimum wage	
An increase in interest rates	
A weakening in the value of the pound	

[6]

- 6 (a) Explain how Ansoff's Matrix could help *Magic Metal Ltd* to decide whether or not to enter the European baby clothes market.

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- (b*) At their board meeting the directors vote **against** Oliver's proposal to enter the European baby clothes market.

Evaluate this decision using **both** quantitative and qualitative information. [20]

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- 7 The directors decide to concentrate on the manufacturing of colour-changing rings for the UK costume jewellery market.

Evaluate the factors which are likely to affect *Magic Metal Ltd*'s future success in the costume jewellery market. [14]

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