

# ADVANCED GCE F248

### **APPLIED BUSINESS**

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				Candidate Number			

#### **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			
2			
3			
4			
5			
6			
7			
TOTAL			

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

SPA (SHW 00049 5/07) T50899/4

© OCR 2008 [F/102/8214]

OCR is an exempt Charity

[Turn over

## 2 BLANK PAGE

PLEASE DO NOT WRITE ON THIS PAGE

1

(a)	Other than Spencer and Mike, identify three stakeholders in Wid Fiyah.
	1
	2
	<b>3.</b> [3]
(b)	Explain <b>two</b> issues which might have caused conflict between stakeholders <b>before</b> the <b>three</b> options arose at the end of 2007.
	1
	2
	[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.	
1	
2.	

© OCR 2008

(d)	Alison Court informed Spencer that she had definitely found a supermarket chain which was willing to buy 600 batches per annum, but a selling price of £1.50 was totally unrealistic Spencer and Mike should only expect to sell at 70p per pot.
	Assuming that Spencer and Mike go ahead with <b>Option One</b> , recommend whether or not they should accept this order.
	[12]

(a)	lder	ntify <b>one</b> strategic objective which a partnership might set:
	(i)	in its first year of operation;
		[1]
	(ii)	after a number of years of successful operation.
		[1]
(b)		alyse how useful Porter's Generic Strategies could be to Wid Fiyah in achieving a appetitive advantage.
		[6]
		[Total: 8]

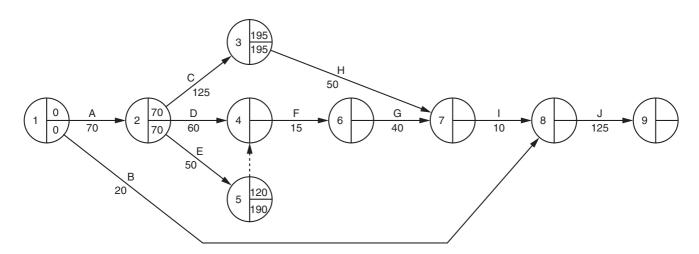
## 7 BLANK PAGE

PLEASE TURN OVER FOR QUESTION 4
PLEASE DO NOT WRITE ON THIS PAGE

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)
Α	Arrange ingredients and preparation	70	6
В	Labelling	20	3
С	Slow simmer tomato mix	125	1
D	Special slow simmer variety no. 1 chillies	60	1
Е	Special slow simmer variety no. 2 chillies	50	1
F	Spice adjusting	15	4
G	Cooling/maturing time for chillies	40	0
Н	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 <b>two</b> ways in which <i>Wid Fiyah</i> of improve efficiency.	could use the floats to
1	
2	

[Total: 20]

© OCR 2008 [Turn over

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	113000		
2	123 000		
3	150 000		
	TOTAL		

(a)	What is meant by the term 'labour productivity'?	
		[2]
(b)	Spencer and Mike have been considering <b>Option Two</b> , merging with AVEM of view of change in relation to human resources.	L, from the point
	Discuss the issues which might arise with <b>staffing</b> should they decide to take	e this option.
		•••••
		[12]
© OCR 200	18	[Total: 14] [Turn over

	 		 	 	 	 ••••
	 	•••••	 	 •••••	 	 
	 		 	 •••••	 	 ••••
	 		 	 	 	 • • • •
•••••	 		 	 	 	 • • • •
•••••	 		 	 	 	 
	 		 	 	 	 •••
	 		 	 	 	 • • •
	 		 	 	 	 •••

 	 	 	 	 [20]

If you use these lined pages you <b>must</b> write the question number next to your answer.	

•••••
•••••

### PLEASE DO NOT WRITE ON THIS PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (OCR) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

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.