

Advanced GCE
Applied Business
Unit F248: Strategic Decision-Making
Specimen Paper

F248

Time: 2 hours

Candidates answer on the question paper.

Additional materials:

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 black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure 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.

INFORMATION FOR CANDIDATES

- The number of marks for each question is given in brackets [] at the end of each question or part question.
- Your Quality of Written Communication is assessed in the question marked with an asterisk (*).
- The total number of marks for this paper is 100.

FOR EXAMINER'S USE	
1	
2	
3	
4	
5	
6	
7	
TOTAL	

This document consists of **12** printed pages and **0** blank pages.

Answer **all** questions. This paper relates to the case study on *Sunneydale Farm*.

1 **(a)** Tony Swift, *Sunneydale Farm's* Business Advisor, encouraged Charlie and Henry to set **objectives**. Explain **one difference** between a business aim and a business objective.

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..... [2]

(b) What is a mission statement?

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..... [2]

(c) Explain **three** benefits to *Sunneydale Farm* of having a mission statement.

1.

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2.

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3.

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..... [6]

[Total: 10]

- 2 (a) Label the **four** quadrants in the Ansoff’s Matrix grid below. [4]
- (b) Insert **each** of the **three** options under consideration at *Sunneydale Farm* into the correct quadrant. [3]

		PRODUCTS	
		EXISTING	NEW
MARKETS	EXISTING	1.	2.
	NEW	3.	4.

- (c) Evaluate the usefulness of Ansoff’s Matrix to *Sunneydale Farm* when making strategic decisions.

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..... [8]

[Total: 15]

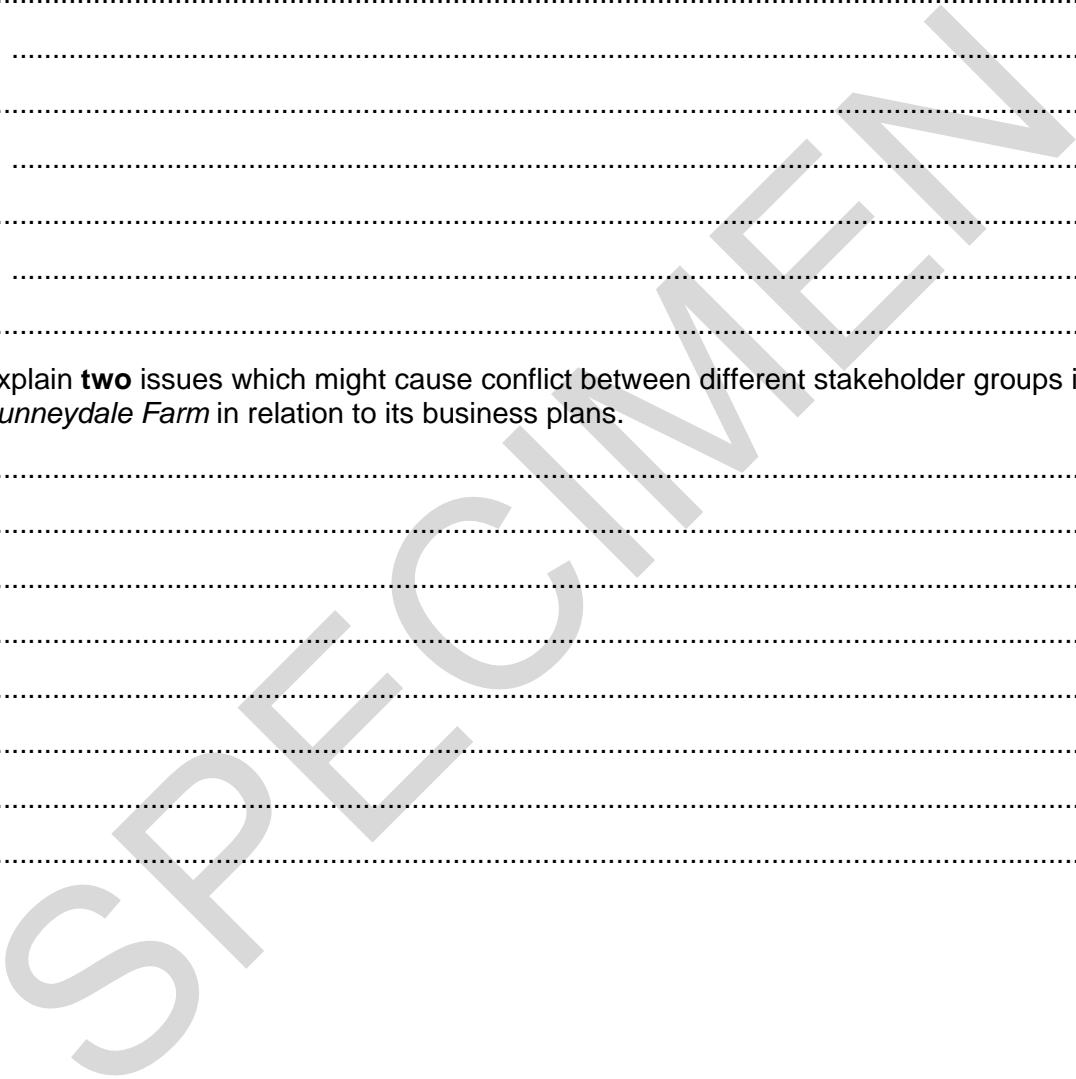
3 (a) Identify **four** stakeholder groups of *Sunneydale Farm*.

1.....
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2.
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4.
..... [4]

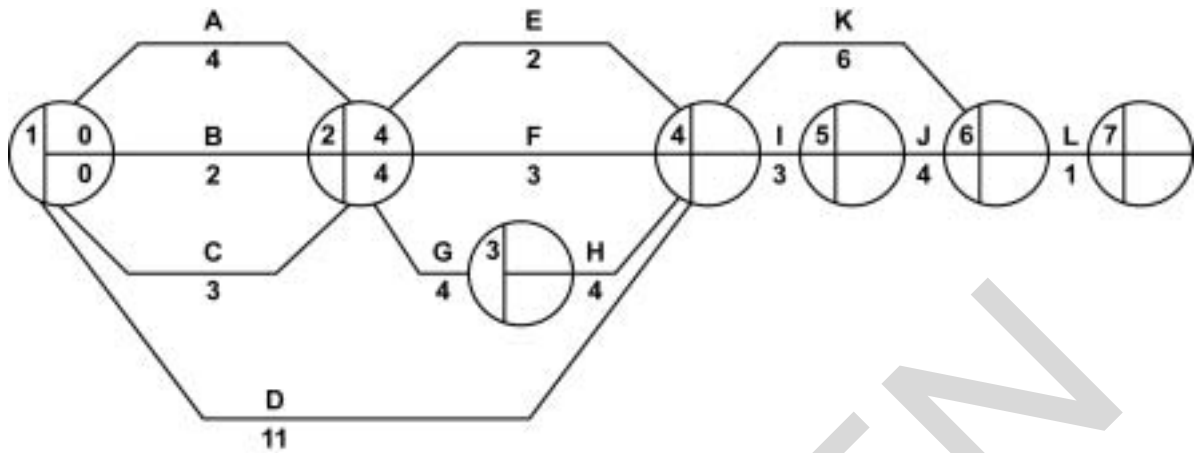
(b) Explain **two** issues which might cause conflict between different stakeholder groups in *Sunneydale Farm* in relation to its business plans.

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..... [4]

[Total: 8]



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



- (b) Identify the activities on the critical path.

.....

 [2]

- (c) After how many weeks can The *Sunneydale Farm* Park open for business?

..... [1]

- (d) Explain how contingency planning might help *Sunneydale Farm*.

.....

 [4]

[Total: 17]

- 5 Tony Swift, *Sunneydale Farm's* Business Advisor, has come up with the following predictions of returns for each of the three proposed options.

Option 1 – The *Sunneydale Farm* Park: Cost £500 000

Year	Net Cash Flow (£)
1	50 000
2	75 000
3	100 000
4	100 000
5	175 000
6	200 000
7	200 000
8	200 000

Option 2 – The *Sunneydale Caravan and Camping* Park: Cost £400 000

Year	Net Cash Flow (£)
1	55 000
2	70 000
3	100 000
4	100 000
5	150 000
6	175 000
7	175 000

Option 3 – Re-launch Beef Farming: Cost £150 000

Year	Net Cash Flow (£)
1	15 000
2	15 000
3	22 000
4	22 000
5	25 000
6	25 000
7	26 000
8	40 000
9	40 000
10	45 000
11	50 000

(a) Calculate, showing your workings, the **Payback Period** for each of the **three** options.

[6]

Option	Workings	Payback period
1		
2		
3		

- (b) Calculate, showing your workings, the **Average Rate of Return (ARR)** for each of the three options. [6]

Option	Workings	ARR
1		
2		
3		

- (c) Describe **one disadvantage** to *Sunneydale Farm* of using each of the following investment appraisal techniques.

(i) Payback Period

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 [2]

(ii) Average Rate of Return (ARR)

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 [2]

[Total: 16]

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SPECIMEN

..... [20]
[Total: 20]

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[14]

[Total: 14]

QP Total 100

SPECIMEN

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Question Number	Answer	Max Mark
1(a)	<p>Tony Swift, Sunneydale Farm's Business Advisor, encouraged Charlie and Henry to set <u>objectives</u>. Explain <u>one difference</u> between a business aim and a business objective.</p> <p>A business aim is the overall purpose and direction of an organisation whereas business objectives are specific and measurable steps taken to achieve the overall aim of the business.</p> <p>One mark for a correct identification up to a maximum of one, plus a further one mark for development.</p> <p>Possible responses may include: General v Measurable; Overall v Specific; Goal v Steps to achieve; One main aim v many objectives.</p> <p>Eg A business usually has one aim (1) which is achieved by following specific measurable steps called objectives (1). Eg Aims are general overall goals (1) whereas objectives are specific steps set to achieve these goals (1).</p>	[2]
1(b)	<p>What is a mission statement?</p> <p>A mission statement is a document which communicates the purpose, culture, philosophy and focus of an organisation to its stakeholders.</p> <p>Up to two marks for an explanation of what is meant by a mission statement. Allow appropriate example for second mark if given.</p> <p>Eg A mission statement is a brief outline of the general purpose of a business (1) primarily written to get this message to stakeholders (1).</p>	[2]

Question Number	Answer	Max Mark
1(c)	<p>Explain <u>three</u> benefits to <i>Sunneydale Farm</i> of having a mission statement.</p> <p>One mark for each correct identification up to a maximum of three identifications plus a further one mark for each of three developments.</p> <p>Developments must be in context.</p> <p>Watch for repetition.</p> <p>Possible responses may include: to provide direction for the company; to present positive image; to act as a motivational tool; to inform corporate objectives.</p> <p>Eg A mission statement provides branding for the firm (1). <i>Sunneydale Farm</i> will be able to communicate its image of being a reliable family run farm to local people (1).</p>	[6]
2 (a)	<p>Label the <u>four</u> quadrants in the Ansoff's Matrix grid below.</p> <p>One mark for each correct label to a maximum of four.</p> <ol style="list-style-type: none"> 1. Market Penetration (1) 2. Product Development (1) 3. Market Development (1) 4. Diversification (1) 	[4]
2 (b)	<p>Insert <u>each</u> of the <u>three</u> options under consideration at <i>Sunneydale Farm</i> into the correct quadrant.</p> <p>One mark for each correct quadrant to a maximum of three.</p> <p>Option One (<i>Sunneydale Farm</i> Park) Quadrant 1</p> <p>Option Two (<i>Sunneydale</i> Caravan and Camping Park) Quadrant 4</p> <p>Option Three (Re-launch Beef Farming) Quadrant 4 or 3</p>	[3]

Question Number	Answer	Max Mark
2 (c)	<p>Evaluate the usefulness of Ansoff's Matrix to <i>Sunneydale Farm</i> when making strategic decisions.</p> <p>Level 4: [7-8 marks] Candidate provides a detailed evaluation of the extent to which Ansoff's Matrix may be useful to <i>Sunneydale Farm</i>.</p> <p>Level 3: [5-6 marks] Candidate evaluates some of the issues surrounding the usefulness of Ansoff's Matrix to <i>Sunneydale Farm</i>.</p> <p>Level 2: [3-4 marks] Candidate makes an attempt to evaluate the usefulness of Ansoff's Matrix to <i>Sunneydale Farm</i>.</p> <p>Level 1: [1-2 marks] Candidate demonstrates knowledge of Ansoff's Matrix.</p> <p>0 marks – no response or response does not answer the question.</p> <p>Note: Evaluate 'usefulness' rather than use of Ansoff's Matrix.</p> <p>Non-contextual analysis/evaluation – max level 2.</p> <p>Eg Ansoff's Matrix as a theory may prove to be useful to a business such as <i>Sunneydale Farm</i> as it looks to develop a new strategy for the future. Following Ansoff's Diversification, Market or Product Development or Market Penetration Strategies (L1) would allow the business to focus its marketing efforts on what would ensure their most likely areas for success, this would be particularly important in a difficult farming industry (L2). The achievement of this would ensure that the business was able to gain sales and therefore market share and ultimately, prosper (L3). There is, however, the consideration that this alone would not ensure success, as the size of the marketing budget and the conditions of external factors may prove at least as influential (L4).</p>	[8]

Question Number	Answer	Max Mark
3 (a)	<p>Identify <u>four</u> stakeholder groups of <i>Sunneydale Farm</i>.</p> <p>One mark for each correct identification up to a maximum of four identifications.</p> <p>Possible responses include:</p> <ul style="list-style-type: none"> • Owners (1); • Customers (1); • Suppliers (1); • Employees (1); • Managers (1); • Local communities (1); • Financial institutions (1); • Local government (1). 	[4]
3 (b)	<p>Explain <u>two</u> issues which might cause conflict between different stakeholder groups in <i>Sunneydale Farm</i> in relation to its business plans.</p> <p>One mark for each correct identification of general conflict plus up to one mark for each of two explanations in context.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • differing opinions of owners; • business direction; • finance; • marketing; • control. <p>Eg The differing opinions of the owners might cause conflict (1). Henry seems very keen on Option Three, beef farming, but Henry does not (1).</p> <p>Eg The local public may complain if they change business direction (1). If Charlie and Henry choose the park or caravan site it would increase traffic congestion in the area and locals would not be happy (1).</p>	[4]

Question Number	Answer	Max Mark																		
4 (a)	<p data-bbox="325 320 1289 421">Using the table below, complete the EST (earliest start time) and LFT (latest finish time) for each node on the network diagram. Nodes 1 and 2 are already complete.</p> <p data-bbox="325 432 1158 495">One mark for each correct identification up to a maximum of ten identifications.</p> <table border="1" data-bbox="475 539 1142 752"> <thead> <tr> <th>Node</th> <th>EST</th> <th>LFT</th> </tr> </thead> <tbody> <tr> <td>3</td> <td>8</td> <td>8</td> </tr> <tr> <td>4</td> <td>12</td> <td>12</td> </tr> <tr> <td>5</td> <td>15</td> <td>15</td> </tr> <tr> <td>6</td> <td>19</td> <td>19</td> </tr> <tr> <td>7</td> <td>20</td> <td>20</td> </tr> </tbody> </table>	Node	EST	LFT	3	8	8	4	12	12	5	15	15	6	19	19	7	20	20	[10]
Node	EST	LFT																		
3	8	8																		
4	12	12																		
5	15	15																		
6	19	19																		
7	20	20																		
4 (b)	<p data-bbox="325 808 898 842">Identify the activities on the critical path.</p> <p data-bbox="325 853 523 887">For two marks:</p> <p data-bbox="325 931 480 965">A-G-H-I-J-L</p> <p data-bbox="325 1010 1283 1043">Award one mark if a single error. Award no marks if more than one error.</p>	[2]																		
4 (c)	<p data-bbox="325 1099 1217 1162">After how many weeks can The <i>Sunneydale Farm</i> Park open for business?</p> <p data-bbox="325 1173 512 1207">For one mark:</p> <p data-bbox="325 1252 453 1285">20 weeks</p> <p data-bbox="325 1330 679 1364">Units (weeks) not required.</p>	[1]																		

Question Number	Answer	Max Mark
4 (d)	<p>Explain how contingency planning might help <i>Sunneydale Farm</i>.</p> <p>Contingency planning is the process of proactively preparing for the unforeseen and in the case of <i>Sunneydale</i>, the prediction of possible changes in demand, growing conditions and external circumstances. The benefits of being prepared for the unforeseen circumstance is that the management of the situation as it occurs is likely to be more efficient and therefore the risks and threats are minimised.</p> <p>L2 (3 – 4 marks) Candidate explains the benefits of contingency planning with reference to <i>Sunneydale Farm</i>.</p> <p>L1 (1 – 2 marks) Candidate explains the benefits of contingency planning with no specific reference to <i>Sunneydale Farm</i>.</p> <p>0 marks – no response or response does not answer the question.</p> <p>Do not award for drawbacks.</p> <p>Eg Contingency planning is planning for the unexpected (L1). If <i>Sunneydale Farms</i> make such a plan they will be prepared for certain crises such as an outbreak of a foot and mouth (L2) and therefore will be better able to cope (L2).</p>	[4]
5 (a)	<p>Calculate, showing your workings, the <u>Payback Period</u> for each of the <u>three</u> options.</p> <p>For each option up to two marks. Award two marks for the correct answer in each case. If workings correct but answer incorrect award one mark in each case.</p> <p>Mark allocation as follows:</p> <p>Option 1 Correct answer: 5 years (2) Or Workings (50+75+100+100+175) (1)</p> <p>Option 2 Correct answer: 4.5 years or 4 years 6 months (2) marks Or Workings (55+70+100+100+half 150) (1)</p> <p>Option 3 Correct answer: 7 years (2) Or Workings (15+15+22+22+25+25+26) (1)</p>	[6]

Question Number	Answer	Max Mark
5 (b)	<p>Calculate, showing your workings, the <u>Average Rate of Return (ARR)</u> for each of the <u>three options</u>.</p> <p>For each option up to two marks. Award two marks for the correct answer in each case. NB two ways of calculating ARR so accept either answer. Otherwise mark allocation as follows:</p> <p>Option 1 Correct answer 15% or using accounting rate of return formula 27.5% (also accept 15% or 28%)</p> <p>Total NCF = 1100000 Minus cost 500000 = 600000 Divide by years (8) = 75 000 1 mark $75000/500000(\text{cost}) * 100 = 15\%$ 1 mark</p> <p>NB 2 marks for correct answer with no working</p> <p>Option 2 Correct answer 15.18% or using accounting rate of return formula 29.5% (also accept 15% or 30%)</p> <p>Total NCF = 825000 Minus cost 400000 = 425000 Divide by years (7) = 60 714 1 mark $60714/400000(\text{cost}) * 100 = 15.18\%$ 1 mark</p> <p>NB 2 marks for correct answer with no working.</p> <p>Option 3 Correct answer 10.61% or using accounting rate of return formula 19.7% (also accept 11% or 20%)</p> <p>Total NCF = 325000 Minus cost 150000 = 175000 Divide by years (11) = 15 909 1 mark $15909/150000(\text{cost}) * 100 = 10.61\%$ 1 mark</p> <p>NB 2 marks for correct answer with no working.</p>	[6]

Question Number	Answer	Max Mark
<p>5(c)(i)</p> <p>(ii)</p>	<p>Describe one disadvantage to <i>Sunneydale Farm</i> of using each of the following investment appraisal techniques.</p> <p>Payback Period</p> <p>One mark for a correct identification up to a maximum of one identification plus a further one mark for application to <i>Sunneydale Farm</i>.</p> <p>Possible responses may include: only looks at speed of payback takes no account of profitability after payback does not take into account changes in the value of money</p> <p>Eg Pay Back Period discriminates against projects which have longer payback periods (1) therefore <i>Sunneydale Farm</i> may rule out Option Three as it has the longest payback period even though it may turn out to be the most profitable in the long run (1).</p> <p>Average Rate of Return</p> <p>One mark for a correct identification up to a maximum of one identification plus a further one mark for application to <i>Sunneydale Farms</i>.</p> <p>Responses may include: ignores the timing of money inflows does not take into account changes in the value of money concentrates on profitability but ignores cashflow</p> <p>Eg ARR could cause a business to choose an option where all of the returns come at the end (1). If <i>Sunneydale Farm</i> chose such an option they may well have cash flow problems and be unable to pay their animal food stuff suppliers(1).</p>	<p>[2]</p> <p>[2]</p>

Question Number	Answer	Max Mark
6	<p>Using both quantitative and qualitative information, recommend and fully justify which option Charlie and Henry should choose.</p> <p>Level 4: [13-20 marks] Candidate recommends and fully justifies which option <i>Sunneydale Farm</i> should choose on the basis of both quantitative and qualitative evidence.</p> <p>Level 3: [7-12 marks] Candidate recommends and provides some justification which option <i>Sunneydale Farm</i> should choose using quantitative and/or qualitative information.</p> <p>Level 2: [3-6 marks] Candidate recommends and makes an attempt to justify which option <i>Sunneydale Farm</i> should choose.</p> <p>Level 1: [1-2 marks] Candidate shows knowledge of business planning/investment appraisal techniques with no reference to <i>Sunneydale Farm</i>.</p> <p>0 marks – no response or response does not answer the question.</p> <p>Candidate should reach a reasoned conclusion based on a two-sided analysis to achieve L4.</p> <p>Eg Investment appraisal helps a business plan for the future and includes many tools such as ARR, break-even and decision trees (L1). Option 2 has the best ARR and the quickest payback (L2). This would make the camping option the best to choose as it clearly beats the others on both measures, although option 1 is not vastly dissimilar (L3). The quick payback is probably very important, given Sunneydale's situation, thus effectively ruling out the beef option (L3). They must also look at when within the time frame the money comes and again options 1 and 2 have little to choose between them (L3). Sunneydale will have to look at more than simply the PBP and ARR. There may be intrinsic difficulties in the camping option, such as the extra traffic which may have knock on costs which need to be accounted for (L4).</p>	[20]

Question Number	Answer	Max Mark
7*	<p>Charlie and Henry decided to choose Option One (The <i>Sunneydale Farm</i> Park). Recommend and fully justify an integrated marketing strategy for this option.</p> <p>Level 4: [10-14 marks] Candidate recommends and fully justifies an integrated marketing strategy for Option One. Ability to present relevant material in a well planned and logical sequence. Material clearly structured using appropriate business terminology confidently and accurately. Sentences, consistently relevant are well structured in a way that directly answers question. There will be few, if any errors of grammar, punctuation and spelling.</p> <p>Level 3: [6-9 marks] Candidate recommends and provides some justification an appropriate marketing strategy for Option One. Ability to present relevant material in a planned and logical sequence. Appropriate business terminology used. Sentences for the most part relevant presented in a balanced, logical and coherent manner which addresses the question. There will be occasional errors of grammar, punctuation and spelling.</p> <p>Level 2: [3-5 marks] Candidate recommends and makes an attempt to justify appropriate suggestions for 4Ps at <i>Sunneydale Farm</i>. Limited ability to organise relevant material. Some appropriate business terminology used. Sentences are not always relevant with material presented in a way that does not always address the question. There may be noticeable errors of grammar, punctuation and spelling.</p> <p>Level 1: [1-2 marks] Candidate demonstrates knowledge of 4Ps with no context. Ability to communicate at least one point using some appropriate business terminology. Sentences have limited coherence and structure, often being of doubtful relevance to the main focus of question. Errors of grammar, punctuation and spelling may be noticeable and intrusive.</p> <p>0 marks – no response or response does not answer the question.</p>	[14]

Question Number	Answer	Max Mark
7*cont'd	<p>Issues:</p> <ul style="list-style-type: none"> • Price - appropriate for families/school visits - penetration, cost plus • Product – educational, entertaining, fun • Promotion - brochures, website – advertising, sales promotion <p>Candidate should reach a reasoned judgement based on a two-sided analysis to achieve L4.</p> <p>Eg An integrated marketing strategy should be the result of extensive market research. The research should allow decisions to be made about the product, price, promotion and place of sale (L1). All of these 4 factors need to be combined in a way which targets the intended audience (L1) and gives a unified message (L1). [+1 mark]</p> <p>Eg To produce a marketing strategy firms look at the 4Ps (L1). <i>Sunneydale Farm</i> must consider its promotion methods - leaflets combined with a website would be good (L2). These are particularly appropriate because the leaflets will target local families and the internet will target tourists from further afield (L3). The promotional methods must make the park look fun and appealing to families (L3) and this image must tie in with charging a family-friendly price. (L4). This would work well because it reaches the target audience without costing <i>Sunneydale Farm</i> too much money. Given the farm's current circumstances it is unlikely to have a large marketing budget (L4).</p>	
	Paper Total	[100]

Assessment Objectives Grid (includes QWC*)

Question	AO1	AO2	AO3	AO4	Total
1(a)	2				2
1(b)	2				2
1(c)	3	3			6
2(a)	4				4
2(b)		3			3
2(c)	2	2	2	2	8
3(a)		4			4
3(b)	2	2			4
4(a)	10				10
4(b)		2			2
4(c)		1			1
4(d)	2	2			4
5(a)	3	3			6
5(b)	3	3			6
5(c)i	1	1			2
5(c)ii	1	1			2
6	2	4	6	8	20
7*	2	3	4	5	14
Totals	39	34	12	15	100