

Surname	Centre Number	Candidate Number
Other Names		2



**GCE A level**

1605/01

**APPLIED BUSINESS**

**UNIT ABUS 5**

**Paper version of on-screen assessment**

A.M. WEDNESDAY, 18 January 2012

2 hours

**INSTRUCTIONS TO CANDIDATES**

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Candidates are required to answer **any two** of the following Sections:

**Section A Decision-making and the Marketing function. Pages 4 - 9.**

**Section B Decision-making and the Production function. Pages 10 - 15.**

**Section C Decision-making and the Finance function. Pages 16 - 21.**

**Section D Other decision-making tools. Pages 22 - 28.**

**Time allowed:** *Two hours*

All questions in **both** your chosen sections are compulsory.

The Context for all Sections is set in the Introduction.

**INFORMATION FOR CANDIDATES**

**Quality of Written Communication**

This will be assessed in questions:

Section A question 5

Section B question 4

Section C question 5

Section D question 4

**Calculators may be used**

SECTION	For Examiner's use only	
	Question	Mark Awarded
	1	
	2	
	3	
	4	
	5	
	6	
	7	
	1	
	2	
	3	
	4	
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	7	
	<b>Total</b>	

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## INTRODUCTION



### NAM plc

The following information applies to **all** Sections.

*NAM plc* is a chain of hotels in the UK.



The *NAM plc* hotels in city centres receive bookings from both business clients and from tourists who are visiting the cities. The hotels located on the coast are mainly used by tourists. Business and tourist clients who stop at *NAM plc* hotels are called Guests.



The Head Office of *NAM plc* is located in Manchester.

You are to undertake work experience at one of the company's hotels.



*Hello. Thanks for joining us on work experience at our NAM hotel. I'm Sonia Shah and I'm employed by NAM plc as the Human Resources Officer at this hotel.*

*As you know, we have two main guest types: people on business, who usually stop for one or two nights, and tourists who tend to stay for longer, a short break of 3 or 4 nights or for the full week. At this hotel, about 75% of our Guests are tourists. Quality of service and value for money are very important to us because we're in a highly competitive industry, and so, we're always reviewing how we can attract more Guests.*

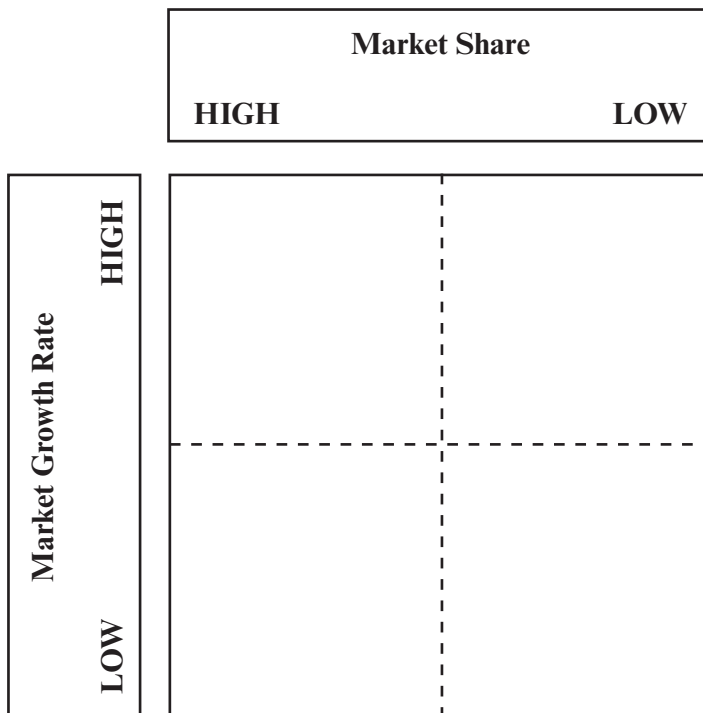
**Section A**

**Decision-making and the Marketing function**



*I'm preparing some training materials for NAM's hotel managers to make them aware of how to analyse our market share and its growth rate. This could help us when making decisions, such as, whether to expand our leisure facilities at the hotel. We're also considering how to increase room occupancy – what you would call sales - in our off-peak season, which runs from November to February.*

1. Sonia wants to summarise the Boston Consulting Group Matrix (also known as the BCG Matrix or the 'Boston Box') in the form of a diagram. Complete the Matrix on her behalf by writing each of the Matrix terms below in its correct position. [2]



**Terms:**

- Star
- Cash Cow
- Question Mark
- Dog

2. Describe **each** of the four terms in Sonia's memo below.

[8]

<b>From: Sonia Shah</b> <b>To: NAM hotel managers</b> <b>Subject: BCG MATRIX</b> <b>Date: Today</b>	
Term	Description
Star	
Cash Cow	
Question Mark	
Dog	



- 4. The directors of *NAM plc* are discussing whether to make a ‘pay for 3 nights but stay for 4 nights’ offer in the off-peak season, to potential Guests. They have the following figures for room occupancy\* at your hotel.

**\*Room occupancy is: the number of Guest rooms occupied shown as a percentage of the total number of Guest rooms available at the hotel**

Off-peak season	Room occupancy %
2010/2011	60.4
2009/2010	62.0
2008/2009	62.8
2007/2008	63.2
2006/2007	63.4
2005/2006	63.5

Comment on any trend shown by the room occupancy figures, using calculations to support your comments. [4]

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5. Explain how using the following tools could help the directors decide whether to offer ‘pay for 3 nights but stay for 4 nights’ to Guests at your hotel:

- market segmentation [4]

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- the Delphi technique [4]

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- sampling [4]

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Your hotel is located on the coast, in a city with a population of 180 000.

- 6. Recommend, with reasons, **one** sampling method the directors should use to establish whether to offer ‘pay for 3 nights but stay for 4 nights’ to Guests at your hotel. [4]

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**Total 40 marks**

**END OF SECTION A**

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**Section B**

**Decision-making and the Production function**



*We've recently opened our first 'Capsule Hotel'. A capsule hotel doesn't have traditional rooms, but instead a series of very small rooms – the capsules – in which individuals can sleep, typically for one night. Our capsule rooms are identical: 2.5 metres by 2 metres, which gives enough space to sleep, and each capsule has a small TV plus wireless internet connection. Guests store their belongings in lockers and we have a 24-hour café where they can buy meals and drinks.*

1. Using information given by Sonia, suggest with reasons the most likely production method for each of the following.

(a) The building of the Capsule Hotel **premises** [3]

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(b) The capsule **rooms** within the Capsule Hotel [3]

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(c) The **lockers** where belongings will be stored

[3]

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(d) The **meals** made in the café

[3]

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2. *NAM plc* values its stock of food and drinks using the Average Cost method. The information in the table below relates to 12-can packs of drinks (one unit) that are sold in the Capsule Hotel.

Complete the unshaded cells in the table below by calculating the value of 12-can packs received and issued, and the value of 12-can packs in stock, using the Average Cost method. [8]

**Stock record: 12-can pack of drinks**

Receipts			Issues			Balance		
Qty (packs)	£ unit	£ total	Qty (packs)	£ unit	£ total	Qty (packs)	£ unit	£ total
						12	30.50	366
			3					
6	30.83							
6	30.84							
			4					

- 3. The Capsule Hotel’s café will use a Just-in-time (JIT) stock system for the stock of food and drinks.

Assess the suitability of using a JIT system in **this** situation.

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4. The Capsule Hotel is an example of new product development by *NAM plc*.

Assess the impact that this new product development of the Capsule Hotel is likely to have on the following functions of *NAM plc*.

(a) Human Resources

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**Total 40 marks**

**END OF SECTION B**

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### Section C

### Decision-making and the Finance function



*Part of my job is to arrange training for our trainee Accounts staff at each hotel. I'd like you to help me provide some information about accounts and finance. Also, the manager has asked me to review some figures he has on our café, restaurant and bar. I know he plans to make changes but I'd like you to check his figures and make some suggestions.*

1. The most recent accounts for your hotel contained the following figures.

	<b>£000</b>
Gross profit	178 850
Profit for the year (Net profit)	56 210
Equity (Share capital)	449 680
Bank and other loans	252 945
Revenue (Sales)	1 277 500

Calculate **three profitability ratios** for your hotel. Show your workings.

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2. Sonia has to provide some information for trainee Accounts staff at your hotel. Complete the memo below by describing the following terms, each of which appears in *NAM plc's* financial statements (final accounts). [6]

- Cost of sales
- Finance costs
- Trade payables (Creditors)

<b>From: Work Experience student</b>		<b>To: Sonia Shah</b>	
<b>Subject: Meaning of the following terms.</b>		<b>Date: Today</b>	
<b>Term</b>	<b>Description</b>		
Cost of sales			
Finance costs			
Trade payables (Creditors)			

3. Complete the following email on behalf of Sonia. Give the meaning of each accounting concept named in the email, and give **one** example of its likely use in *NAM plc's* situation. [8]

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<b>From:</b>	Sonia Shah
<b>To:</b>	Accounts Office trainees
<b>Subject:</b>	Accounting Concepts
<b>Date:</b>	Today

Please study the following information on the **Going Concern** and the **Prudence** concepts. I also provide an example of how **each** concept influences the work of *NAM plc*.

**Going Concern** .....

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**Prudence** .....

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4. Your *NAM plc* hotel has a restaurant, a bar and a café, all of which are used by Guests and are open to the public. Sonia has asked you to study the figures and information below.

Costs are to be apportioned (shared out) as follows:

- Fixed: based on the average number of employees in each location:
  - café, 4 employees
  - bar, 1 employee
  - restaurant, 6 employees
- Variable: as a percentage of the location's own revenue (Sales):
  - café, 40% of its own revenue
  - bar, 40% of its own revenue
  - restaurant, 30% of its own revenue

Using the table below, calculate the profit or loss made by your hotel in each location. [6]

	<b>Café</b> £	<b>Bar</b> £	<b>Restaurant</b> £	<b>Total</b> £
Revenue (Sales)	7 500	10 500	15 000	33 000
Fixed costs				13 970
Variable costs				11 700
Profit / (Loss)				

- 5. To answer this question you will need to use the information provided in question 4 and your responses to question 4.

Previous years' calculations apportioning costs have shown the café regularly makes a loss. As a result, the manager of your *NAM plc* hotel is considering closing the café.

Assess whether this approach to apportioning costs gives a complete and accurate **numerical** analysis for the manager. [8]

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- 6. Analyse **two non-numerical** factors that are likely to influence the manager's decision whether to close the café. [6]

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**Total 40 marks**

**END OF SECTION C**

## Section D

## Other decision-making tools



1. You have received an email from Sonia, shown below.

**From:** Sonia Shah  
**To:** Work Experience student  
**Subject:** Price Index Information  
**Date:** Today

Hi

I've been sent the following to distribute to some of our managers.

Price index information adapted from the Consumer Prices Index (CPI)		
Year	Overall CPI index (2006 = 100)	Index for 'Restaurants and hotels' ONLY (2006 = 100)
2008	110.0	111.2
2009	111.5	113.0
2010	114.0	115.8
2011 (estimate)	115.5	117.5

**Note:** The 'Restaurants and hotels' category within the CPI accounts for about one-eighth of the overall 'basket' of items that are used to calculate the CPI.

Please study this and let me know what is meant by 'Price index' and by '2006 = 100'.

Thanks, Sonia.

Using the email to Sonia below, explain what is meant by:

- Price index
- 2006 = 100

[4]

The image shows a screenshot of an email client window. The window title bar includes a yellow envelope icon and standard window controls (minimize, maximize, close). The toolbar contains icons for back, forward, print, and help. The email header fields are as follows:

<b>From:</b>	Work Experience student
<b>To:</b>	Sonia Shah
<b>Subject:</b>	Price Index Information
<b>Date:</b>	Today

Below the header, the email body contains the text: "As requested, here are the meanings of the two terms." This is followed by 15 horizontal dotted lines for writing the answer.

2. At present, the directors of *NAM plc* refer to the ‘Overall CPI index’ figures when setting prices, and not the ‘Restaurants and hotels’ index.

Using the information from the table in question 1, what would be the likely effect on prices if the directors used the ‘Restaurants and hotels’ index rather than the ‘Overall CPI index’? [4]

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3. *NAM plc* also keeps its own price information, shown in the table below. Using 2006 as the base year, complete the table to show the price indexes for:

- Guest rooms
- restaurant meals.

Your index numbers should be calculated and rounded to **one** place of decimals.

[4]

Year	Average Guest room prices (£)	Index	Average restaurant meal prices (£)	Index
2006	60.00	100	12.00	100
2007	61.20		12.53	
2008	62.10		13.02	
2009	61.92		13.54	
2010	62.16		14.16	



4. The directors use the information from the table in question 3, as the main evidence for setting Guest room and restaurant prices.

Assess the value to *NAM plc* of using the information in the table for **this** purpose. [8]

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5. The offices at your hotel are to be redecorated. This means that the hotel will erect a temporary office building.

The manager of your hotel has constructed a network diagram for the temporary building, to show information such as the Earliest Start Times (EST) and Latest Finish Times (LFT).

Define the following terms.

- Network diagram [2]

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- EST [2]

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- LFT [2]

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6. The manager has summarised the activities, time required and finishing deadline in the following table.

Activity		Time required (working days)	Preceding activities
<b>A.</b>	Obtain planning permission	10	none
<b>B.</b>	Buy/receive the building's framework	7	A
<b>C.</b>	Buy/receive the foundation's materials	5	A
<b>D.</b>	Construct the foundation	2	C
<b>E.</b>	Assemble the building's framework	3	B
<b>F.</b>	Fix framework to foundation	1	D, E
<b>G.</b>	Paint the framework	2	F
<b>Maximum time available for this project: 30 working days</b>			

- (a) Listing the activities by letter, state the critical path and the minimum number of days needed to complete this work. [2]

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- (b) Calculate the total float for this work, identifying which activity or activities create this float. [4]

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7. Using the information provided in question 6 and your responses to question 6, assess the value of critical path analysis to *NAM plc*. [8]

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**END OF SECTION D**