Surname	Centre Number	Candidate Number
Other Names		2



GCE A level

1605/01

APPLIED BUSINESS

UNIT: ABUS 5

Paper version of on-screen assessment

P.M. MONDAY, 13 January 2014

2 hours

For Examiner's use only								
Section	Maximum Mark	Mark Awarded						
Α	40							
В	40							
С	40							
D	40							
Total	80							

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 - 14.

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

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

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 5b Section B question 6 Section C question 5 Section D question 6

Calculators may be used

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INTRODUCTION



STRIDEOUT FOOTWEAR LTD

The following information applies to all Sections.

Strideout Footwear Ltd (SF Ltd) is a privately owned UKbased clothing manufacturer. The company was established in 1992 by friends who enjoyed climbing and walking. Believing that the boots and shoes being sold in the 1990s were not always suitable for outdoor activities, the friends researched and developed new fabrics that would better protect outdoor walking shoes and boots.

They have continued to develop, make and sell footwear, ranging from walking boots and shoes suitable for outdoor use in the UK to specialist footwear for use in extreme climates. Their products are sold in 'high street' leisurewear shops, they can be bought online, and the friends have recently decided to open their own chain of shops to sell their footwear and related 'outdoor activity' products.

SF Ltd's Head Office and main factory is in your local area. You have been placed in SF Ltd's Head Office for a period of work experience.





Hello, it's nice to meet you. Let me introduce myself. My name is Pat Sharp, and I'm one of the founders of Strideout Footwear Ltd. We make and sell adults' and children's footwear designed for outdoor activity. Thanks for joining us on work experience: we'll soon have you settled in and involved. You've joined us at an interesting time: in particular, we're setting up our own chain of retail outlets to sell our products.

Turn over. © WJEC CBAC Ltd. (1605-01)

Section A

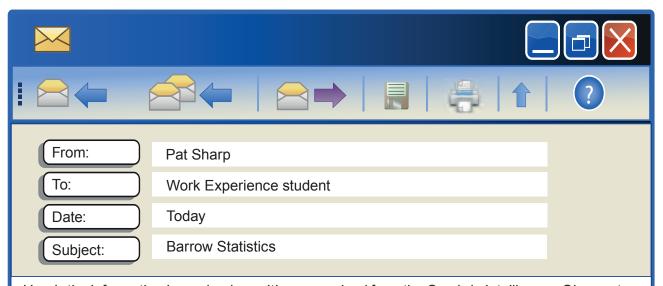
Decision-making and the Marketing function



We must decide whether to locate one of our new shop outlets in the town of Barrow or the city of Carlisle. Both are in Cumbria, a county that's popular with walkers and climbers, but at the moment we can't afford to open an outlet in both. I have some statistical information on this that I'll send you shortly. Our shops will soon be selling a new footwear range we've made, and our sales team will be selling the range to our existing retailers.

1. Pat has sent you the statistical information shown in the emails below and on the opposite page.

email 1

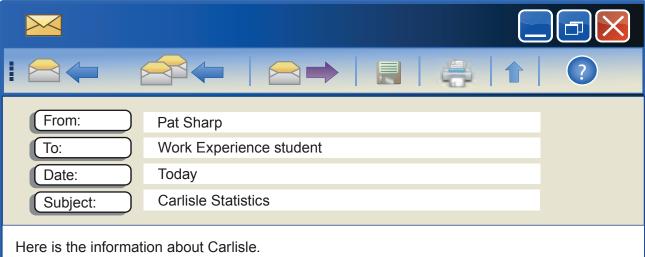


Here's the information I promised you. It's summarised from the Cumbria Intelligence Observatory website, via the Office for National Statistics 2011 Census. The first details are about Barrow.

- The population of Barrow-in-Furness District at census day 2011 was 69 100, a decrease of 4% since 2001. Barrow is the only district in Cumbria where the population declined, though it is the most densely populated district in Cumbria.
- When compared with the rest of Cumbria, Barrow has a comparatively young age profile. There are lower proportions of residents in the 45-59, 60-74, 75-84 and 85+ age groups and higher proportions in the 0-14, 15-29 and 30-44 age groups.
- Barrow experienced Cumbria's most significant decline in the numbers of residents in the 0-14, 30-44 and 75-84 age groups. Despite its overall population decline since 2001, the number of residents in the 15-29, 45-59, 60-74 and 85+ age groups have all increased.

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email 2



- In mid-2011 the total population of Carlisle was estimated to be 107500.
- Since mid-2001, its population has increased by 6700 people (up by 6.6%). The greatest percentage increase by age group occurred in the 60-64 age group (up by 33.3%), while the greatest percentage decrease occurred in the 35-39 age group (down by 13.2%).
- When compared with the rest of Cumbria, Carlisle's population has higher proportions of younger children (0-9) and younger adults (15-39), but lower proportions of older children (10-14) and middle to older age adults (40+).

outlet. Give reasons for your selection.	taii [6]
	••••

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	To what extent is this information from the 2011 Census likely to be sufficient when the owners come to decide where to locate the retail outlet? [6]
•	
•	

3.

(2)	Describe how quote campling is likely to be carried out in this situation	ΓAT
(a)	Describe how quota sampling is likely to be carried out in this situation.	[4]
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(b)	Suggest one benefit and one drawback to <i>SF Ltd</i> of using quota sampling random sampling in this situation.	ather thar
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been launched. The 'Stilldry' range will also be sold in existing retail outlets used by SF Ltd	
Analyse the relevance of Ansoff Matrix strategies when the new shoe range is sold in:	
 the retail outlets that are currently being used by SF Ltd the new outlets to be opened by SF Ltd. 	[8]
	· · · · · · · · ·
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SF Ltd's Head Office-based sales team will visit retailers that sell SF Ltd's products, in order	
introduce the 'Stilldry' new range. This range will replace an older range of shoes. Each men of the sales team is given a company mobile phone.	nber
introduce the 'Stilldry' new range. This range will replace an older range of shoes. Each men	nber [2]
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(b)	Explain how helpful product life-cycle analysis will be to SF Ltd when decisions are to be made at Head Office about whether they should replace:	only
	• a footwear range being made by <i>SF Ltd</i> [5]	
•••••		
•••••		
	• the sales team's mobile phones. [5]	
•••••		

END OF SECTION A

Section B

Decision-making and the Production function



I'm sure you realise that we live in a competitive world. One influence on our business of increasing globalisation is that we have to compete with footwear from overseas. In our view these imported shoes and boots are lower quality but they retail in shops for a lower price than we can sell our goods at. This means we're very careful with our costs, keeping them as low as possible by being as productive as possible.

1.	(a)	SF Lt (techr	d seeks nical) ed	s to achi conomies	eve inte s of scale	rnal eco e influen	onomies ace the v	of scale vork of S	e. How v SF Ltd's	will gainir Producti	ng techn on Depa	ological rtment? [4]
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(b)	Name two other internal economies of scale that, if gained by <i>SF Ltd</i> , will influence work of its Production Department. For each economy of scale, state why and ho influences the work of the Production Department.	
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the p	How is the promeasured? Give one reas	office employ of oductivity of	ees. SF Ltd's	Production ses such as	Department	employees	s likely t

I. SF Ltd values its stocks using the Average Cost (AVCO) method. The information in the table below relates to water-proofing liquid, delivered in containers and used in the manufacture of the recently launched 'Stilldry' range of shoes.

Complete the unshaded cells in the table below by using the Average Cost method to calculate the value of the containers of liquid received, issued and in stock. [8]

	Stock sheet: 'Stilldry' water-proofing liquid (25-litre containers)										
	Receipts	;		Issues		Balance					
Qty	£ unit	£ total	Qty	£ unit	£ total	Qty	£ unit	£ total			
						16	22.00	352.00			
20	22.09										
			8								
			16								
24	22.08										

5.	SF Ltd has recently	started to	manufacture	the new	'Stilldry'	shoe	range.
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State two ways in which the manufacture of this new shoe range will affect the work of <i>SF</i> Marketing Department.	Ltd's [2]

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(a)	Outline how the new JIT stock system at SF Ltd is likely to operate.	
(b)	Examine whether a JIT stock system for <i>SF Ltd</i> is likely to help lower its costs.	

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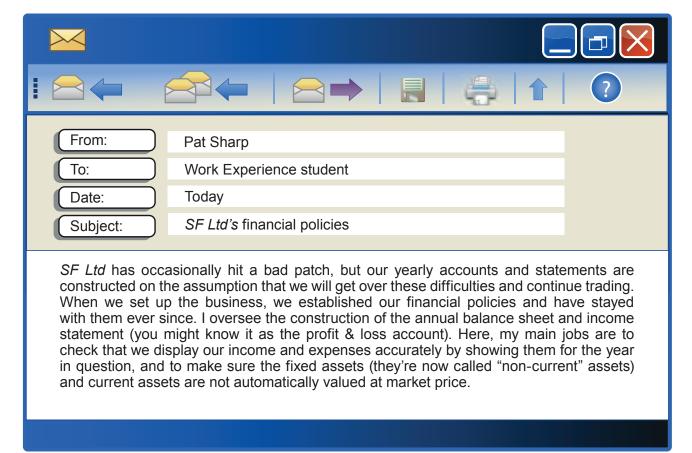
Section C

Decision-making and the Finance function



I trained as an accountant, and so I have overall responsibility for Strideout Footwear Ltd's financial accounts — I've been told you have studied this topic so I'll send you an email about our financial policies. As a limited company, you'll find that our accounts are slightly different to those of other profit-based and not-for-profit businesses. I also talk to new employees about our financial position, and give advice when we need to make financial decisions about our products.

Pat has sent you the email shown below.



(a)	Usino acco		•					
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	•	Prudence.						
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(b)	Expla situa	ain, with the	use of exa	ımples, any	three of the a	bove concepts	in <i>SF Ltd'</i> s	busine
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2. Pat wants to send a memorandum to new *SF Ltd* employees and has asked you to help.

Complete the memo below, on Pat's behalf, by describing the financial terms in the memo, each of which appears in *SF Ltd's* financial statements (final accounts). [6]

MEMO

From: Pat Sharp To: New employees

Note the information below on the financial terms you found in our financial statements, which you asked about during our induction meeting.

Item	Description
Gross profit	
Administration expenses	
Trade receivables (debtors)	

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3.			nancial statements (final accounts) will contain other financial terms that are directly rms found in the financial statements of some other businesses.	fferent
	(a)	Give of:	e one example of a financial term that will be worded differently in the balance s	heets
		•	SF Ltd Simpson & Patel, a law firm operated as a partnership.	[2]
	(b)		e one example of a financial term that will be worded differently in the in ements (profit & loss accounts) of:	ıcome
		•	SF Ltd Pet Homes, a not-for-profit animal charity.	[2]
				· · · · · · · · · · · · · · · · · · ·

4. *SF Ltd* sells the 'Trekker' range of trainer-style leisure footwear. There are four models in the 'Trekker' range. The table below contains recent figures for each model.

SF Ltd: performance of 'Trekker' trainers by model						
	Marcher £	Runner £	Strider £	Trotter £		
Sales	13 525	5850	5 4 7 5	7850		
Fixed costs	3900	1400	2150	1900		
Variable costs	6225	4 475	4775	6 0 2 5		
Profit / (Loss)	3400	(25)	(1 450)	(75)		

Using calculations, analyse the likely impact on <i>SF Ltd</i> if it stops selling these models. [10]

Using the information given in question 4 and your response to question 4 , assess whether Pat should use only marginal costing analysis to make this decision . [10]

END OF SECTION C

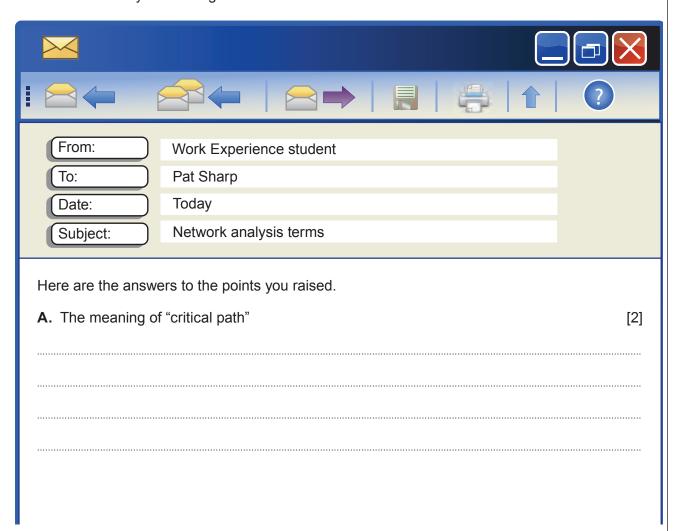
Section D

Other decision-making tools



We're in the process of making some key decisions about the future of our business, whether to concentrate more on our new chain of shop outlets, or whether to expand our internet presence. One of my colleagues also wants to construct a network diagram to help us with a new project the business is undertaking. I hope you can help me understand some of the terms she's used!

1. Complete the email below and on the opposite page, to help Pat understand the network analysis terms used by his colleague.



Examiner only

B. The difference between Earliest Start Time (EST) and Latest Finish Time (LFT)	[4]
C. The difference between Free Float and Total Float.	[4]

- 2. Pat's colleague has identified five activities within the project.
 - Activities A (8 days) and B (7 days) can start at the same time.
 - Activity C (9 days) can start once A and B are complete.
 - Activity D (8 days) can start once A is complete.
 - Activity E (4 days) can start once C and D are complete.

Complete the following table on behalf of Pat's colleague, to show the project's Earliest Start Times, Latest Finish Times, float and critical path. [6]

Activity	Duration	Earliest Start Time	Latest Finish Time	Float
Α	8			
В	7			
С	9			
D	8			
E	4			

	Critical path:	
3.	Suggest two limitations that <i>SF Ltd</i> needs to be aware of, if critical path analysis is used for t project .	thi : [4]

4.	Pat is unsure whether <i>SF Ltd's</i> main objective this year should be to continue developing its new chain of retail outlets, or to expand its internet sales.	
	Explain two benefits to <i>SF Ltd</i> of using a decision tree to help make this decision . [4]	

5. Pat has been given the information below, taken from the Office for National Statistics (ONS) website.

A. Consumer Prices Index (e.	x, % changes to textract):	December 2012
	1 month % change	12 months % change
Clothing & footwear	-1.5	0.8
CPI All Items	0.5	2.7

B. Seasonally Adjusted \ December	Year-on-Year % (2012 (extract):	Growth Rates,
	Volume growth	Value growth
All retailing	0.3	0.7
Textile, clothing & footwear stores	-3.5	-2.8

C. Summary of Inter	net sales perfor 2012 (extract):	mance for
	Weight	Year on year growth %
All retailing	100.0	15.5
Textile, clothing & footwear stores	11.7	26.3

Source: ONS, 2013

Examiner
only

Examine whether the information from the ONS suggests that <i>SF Ltd</i> should make the decision to:	
 develop its new retail outlets; or expand its internet sales. [8] 	

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END OF SECTION D

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END OF PAPER