

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
A	40	
B	40	
C	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

BLANK PAGE

INTRODUCTION



STRIDEOUT FOOTWEAR LTD

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

Strideout Footwear Ltd (SF Ltd) is a privately owned UK-based 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.

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

The screenshot shows an email client window with a blue header and a toolbar. The email content is as follows:

From:	Pat Sharp
To:	Work Experience student
Date:	Today
Subject:	Barrow Statistics

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.

email 2

The screenshot shows an email window with a blue header bar. On the left is an envelope icon. On the right are icons for minimize, maximize, and close. Below the header is a toolbar with icons for back, forward, print, and help. The email content area has a light beige background with a table of headers:

From:	Pat Sharp
To:	Work Experience student
Date:	Today
Subject:	Carlisle Statistics

Below the headers, the email body text reads:

Here is the information about Carlisle.

- In mid-2011 the total population of Carlisle was estimated to be 107 500.
- Since mid-2001, its population has increased by 6 700 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+).

1605
010005

Using the information in the **emails**, select **one** location – Barrow or Carlisle – for the new retail outlet. Give reasons for your selection. [6]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

2. 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. Pat is arranging to sample a percentage of the populations of both Carlisle and Barrow. Pat plans to use **quota sampling**.

(a) Describe how quota sampling is likely to be carried out in this situation. [4]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(b) Suggest **one** benefit and **one** drawback to *SF Ltd* of using quota sampling rather than random sampling in this situation. [4]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

1605
010007

4. *SF Ltd's* new retail outlets will sell its footwear, including the 'Stilldry' range of shoes that has just 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]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

5. *SF Ltd's* Head Office-based sales team will visit retailers that sell *SF Ltd's* products, in order to introduce the 'Stilldry' new range. This range will replace an older range of shoes. Each member of the sales team is given a company mobile phone.

- (a) Outline the role of product life-cycle analysis.

[2]

.....

.....

.....

.....

(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:

- a footwear range being made by *SF Ltd* [5]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

- the sales team's mobile phones. [5]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

END OF SECTION A

40

1605
010009

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 Ltd* seeks to achieve internal economies of scale. How will gaining **technological** (technical) economies of scale influence the work of *SF Ltd*'s **Production** Department?

[4]

.....

.....

.....

.....

.....

.....

.....

.....

.....

(b) Name **two other** internal economies of scale that, if gained by *SF Ltd*, will influence the work of its Production Department. For **each** economy of scale, state **why** and **how** it influences the work of the Production Department. [6]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

1605
010011

- 2. Having to compete with cheaper imported footwear ranges is one result of increasing globalisation. Examine how *SF Ltd's* Production Department might adapt or change in order for the company to compete successfully with cheaper imported footwear. [6]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

- 3. *SF Ltd* measures the productivity of its Production Department employees but does **not** measure the productivity of its office employees.

- (a) How is the productivity of *SF Ltd's* Production Department employees likely to be measured? [2]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

- (b) Give **one** reason why many businesses such as *SF Ltd* measure the productivity of employees working in production but do **not** measure the productivity of office employees. [2]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

4. *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.

State **two** ways in which the manufacture of this new shoe range will affect the work of *SF Ltd's* **Marketing** Department. [2]

.....

.....

.....

.....

6. *SF Ltd* has recently introduced a Just-in-Time (JIT) stock system for the fabric used to manufacture the new 'Stilldry' shoe range.

(a) Outline how the new JIT stock system at *SF Ltd* is likely to operate.

[2]

.....

.....

.....

.....

(b) Examine whether a JIT stock system for *SF Ltd* is likely to help lower its costs.

[8]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

END OF SECTION B

40

BLANK PAGE

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.

The screenshot shows an email client window with a blue header and toolbar. The email details are as follows:

From:	Pat Sharp
To:	Work Experience student
Date:	Today
Subject:	SF Ltd's financial policies

The main body of the email contains the following text:

SF Ltd has occasionally hit a bad patch, but our yearly accounts and statements are constructed on the assumption that we will get over these difficulties and continue trading. When we set up the business, we established our financial policies and have stayed with them ever since. I oversee the construction of the annual balance sheet and income statement (you might know it as the profit & loss account). Here, my main jobs are to check that we display our income and expenses accurately by showing them for the year in question, and to make sure the fixed assets (they're now called "non-current" assets) and current assets are not automatically valued at market price.

1. (a) Using information in the email, identify **one** extract that best illustrates each of the following accounting concepts.

- Accruals
- Consistency
- Going Concern
- Prudence.

[4]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(b) Explain, with the use of examples, any **three** of the above concepts in *SF Ltd's* business situation. [6]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

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

Re: *SF Ltd's* financial statements

Date: Today

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)	

3. *SF Ltd*'s financial statements (final accounts) will contain other financial terms that are different to those terms found in the financial statements of some other businesses.

(a) Give **one** example of a financial term that will be worded differently in the **balance sheets** of:

- *SF Ltd*
- *Simpson & Patel*, a law firm operated as a **partnership**. [2]

.....

.....

.....

.....

.....

.....

(b) Give **one** example of a financial term that will be worded differently in the **income statements** (profit & loss accounts) of:

- *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.

<i>SF Ltd</i>: performance of 'Trekker' trainers by model				
	Marcher £	Runner £	Strider £	Trotter £
Sales	13 525	5 850	5 475	7 850
Fixed costs	3 900	1 400	2 150	1 900
Variable costs	6 225	4 475	4 775	6 025
Profit / (Loss)	3 400	(25)	(1 450)	(75)

Pat is considering whether to stop selling the three models that show a loss on these figures.

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

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

5. 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

40

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.

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; border-radius: 5px; padding: 2px;">From:</td> <td style="border: 1px solid black; padding: 2px;">Work Experience student</td> </tr> <tr> <td style="border: 1px solid black; border-radius: 5px; padding: 2px;">To:</td> <td style="border: 1px solid black; padding: 2px;">Pat Sharp</td> </tr> <tr> <td style="border: 1px solid black; border-radius: 5px; padding: 2px;">Date:</td> <td style="border: 1px solid black; padding: 2px;">Today</td> </tr> <tr> <td style="border: 1px solid black; border-radius: 5px; padding: 2px;">Subject:</td> <td style="border: 1px solid black; padding: 2px;">Network analysis terms</td> </tr> </table>	From:	Work Experience student	To:	Pat Sharp	Date:	Today	Subject:	Network analysis terms	
From:	Work Experience student								
To:	Pat Sharp								
Date:	Today								
Subject:	Network analysis terms								
<p>Here are the answers to the points you raised.</p> <p>A. The meaning of “critical path” [2]</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>									

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
A	8			
B	7			
C	9			
D	8			
E	4			

Critical path:

3. Suggest **two** limitations that *SF Ltd* needs to be aware of, if critical path analysis is used for **this project**. [4]

.....

.....

.....

.....

.....

.....

.....

.....

4. Pat is unsure whether *SF Ltd*'s 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 *SF Ltd* 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, % changes to December 2012 (extract):		
	1 month % change	12 months % change
Clothing & footwear	-1.5	0.8
CPI All Items	0.5	2.7

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

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

Source: ONS, 2013

Examine whether the information from the ONS suggests that *SF Ltd* should make the decision to:

- develop its new retail outlets; or
- expand its internet sales.

[8]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

6. Assess whether Pat should make the decision referred to in question 5 by **only** using statistical information based on index numbers, such as that provided by the ONS. [8]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

END OF SECTION D

END OF PAPER

40