



GCE A level

1605/01

APPLIED BUSINESS – ABUS5

Paper version of on-screen assessment

A.M. WEDNESDAY, 10 June 2015

2 hours plus your additional time allowance

Surname _____

Other Names _____

Centre Number _____

Candidate Number 2 _____

SECTION	For Examiner's use only	
	Question	Mark Awarded
	1.	
	2.	
	3.	
	4.	
	5.	
	6.	
	1.	
	2.	
	3.	
	4.	
	5.	
	6.	
	Total	

INSTRUCTIONS TO CANDIDATES

Use black ink, black ball-point pen or your usual method.

Write your name, centre number and candidate number in the spaces provided on the front cover.

Candidates are required to answer any two of the following sections:

Section A Decision-making and the Marketing function. Pages 7 - 19.

Section B Decision-making and the Production function. Pages 20 - 34.

Section C Decision-making and the Finance function. Pages 35 - 50.

Section D Other decision-making tools. Pages 51 - 66.

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 4(b)

Section B Question 6(b)

Section C Question 2

Section D Question 6

Calculators may be used.

INTRODUCTION

Crafted Quality Kitchens

The following information applies to ALL Sections.



CRAFTED QUALITY KITCHENS (CQ) is a UK-based manufacturer, supplier and installer of fitted kitchens and bathrooms. Its main market is domestic (selling to householders), though it occasionally makes and installs kitchen or bathroom items in commercial premises. The business was set up in 1997 and still operates as a partnership.

CQ's Head Office and factory is located near the Welsh-English border You have been placed in CQ's Head Office for a period of work experience.



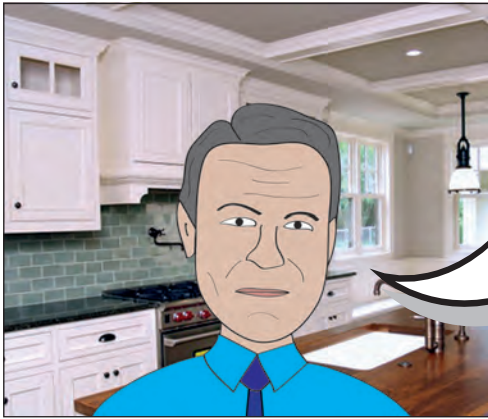
Hello. I'm George Cherrill, one of the partners at Crafted Quality Kitchens – that's our full name, though we're known locally simply as CQ. We mainly sell fitted kitchens and bathrooms. One of our design staff will visit a customer's home and draw up plans so that we can make the units here and then fit them. We also sell some pre-manufactured units, though it's very competitive because of the involvement of large 'DIY' chains such as Homebase and B&Q. But, we do well, marketing ourselves on the basis of good quality for a reasonable price.

SECTION A

Decision-making and the Marketing function

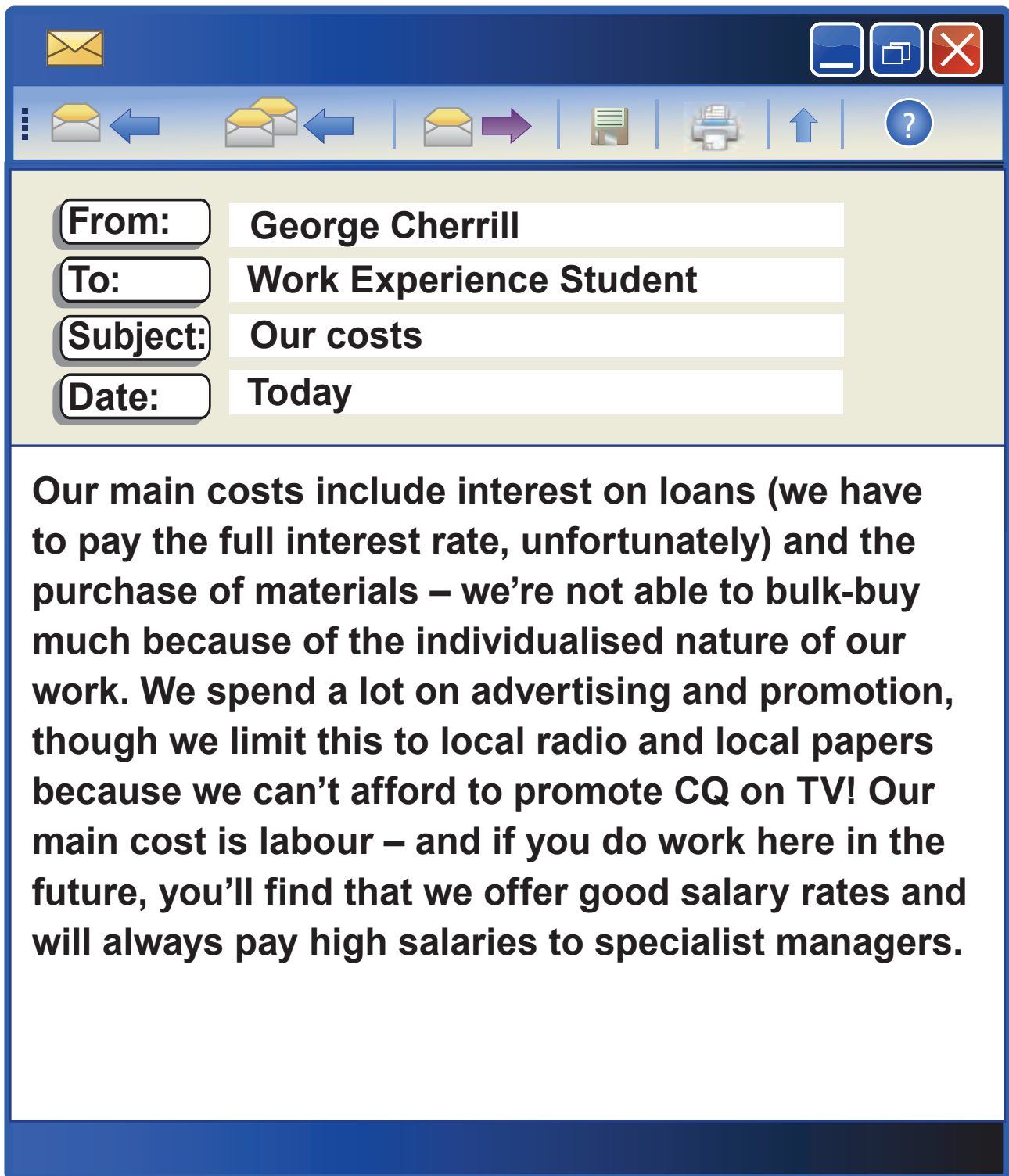


You'll shortly be working in our Sales Department. Although we make units to fit customers' individual kitchens and bathrooms, we buy in various products such as fridges, freezers and shower units to install for customers, as well as smaller items such as door handles. Our sales staff are always reviewing what we buy so that our customers stay satisfied.

SECTION B**Decision-making and the Production function**

We sell and fit individually designed and built kitchens and bathrooms. As a fairly small business, we keep close control of our costs so that we can remain competitive. Our manufacturing costs are quite high due to the nature of the work, so we're careful to control aspects such as waste. This means our stock valuation and stock control systems are closely monitored.

1. **George has sent you several emails about the production function at CQ. The following email summarises CQ's main costs.**



2. **CQ** normally uses job production to manufacture kitchen and bathroom units. The productivity of the employees who work using job production is not measured by **CQ**.

(a) **Why is job production used in THIS situation? [4]**

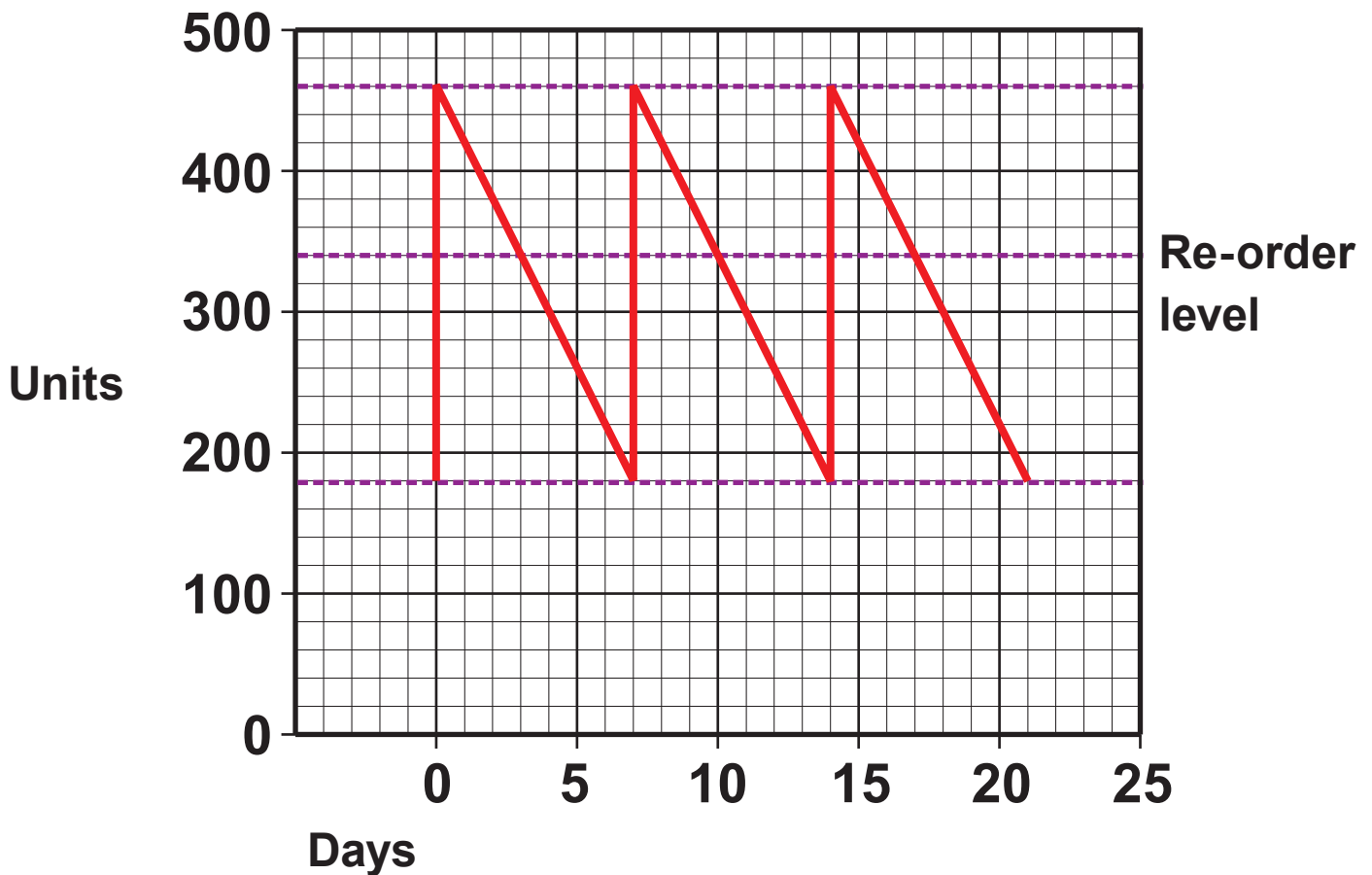
2(b) State TWO key features of job production. [2]

3(b) Suggest why it would NOT be appropriate to measure the productivity of these employees. [2]

4. **CQ** buys in a number of products used in its fitted kitchens and bathrooms. Stock control charts are kept, and closing stock is now valued using the FIFO method.

The stock control chart for kitchen cupboard handles is shown below.

Kitchen cupboard handles



5(a) What is meant by 'buffer stock' and 'lead time'? [2]

5(b) State TWO factors that will influence CQ when deciding on both buffer stock and re-order quantity levels. [2]

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END OF SECTION B

SECTION C**Decision-making and the Finance function**

At CQ we need to keep prices competitive because there are competing businesses in the area. We have a good Accounts team that provides the partners with detailed financial information. We try to control costs in various ways: for example, we use a standard costing system for our bought-in products.

- 2. George has asked you to provide some information for the new member of staff. Complete the memo opposite by describing and giving a RELEVANT example of the following terms, each of which appears in CQ's financial statements (final accounts).**

MEMO

FROM: Work Experience Student

**TO: New member
of staff**

SUBJECT: Meaning of financial terms DATE: Today

I have described below the meaning of the terms you asked about, and in each case there is an example that you can expect to come across in CQ's work.

Cost of sales [3]

Opening inventory (stock) [3]

Non-current liabilities (long-term liabilities) [3]

4. **CQ** operates a standard costing system for some of its bought-in products. The Accounts team calculates labour and material variances. You have been given the following information on one of the products.

Labour efficiency variance: £71.75 adverse

Labour rate variance: £64.50 favourable

(a) Calculate the total labour cost variance for this product. [2]

5. The following is a cost card for the materials used in the construction of a housing unit to hold built-in cookers.

STANDARD MATERIALS COST CARD

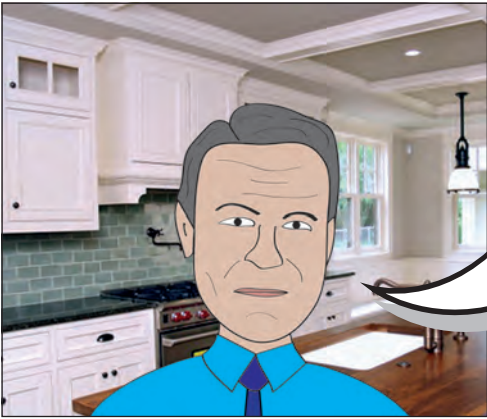
STANDARD QUANTITY PER BATCH:	10 housing units
STANDARD COST PER BATCH:	£95.00

ITEM	SIZE/NUMBER	COST
MDF sheets	10, size 300 x 55cm	£8.30 per sheet
Brackets and screws	40 sets	£0.30 per set

TOTAL materials variance [2]

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END OF SECTION C

SECTION D**OTHER DECISION-MAKING TOOLS**

We're thinking of improving our display facilities. We own two plots of land next door, for which we have planning permission to develop. We might use one of them for a new showroom. If we do, we'll use part of the new showroom to sell 'white goods' such as washing machines, fridges and freezers, independently of our fitted kitchens.

1. **CQ's employees create fixed-base quantity indexes for 'white goods' – major consumer durable goods for the kitchen – sold as part of its fitted kitchens. The business now uses 2011 as its base year, having previously used 2000 as the base year.**

(a) Outline the meaning of

- quantity index [2]**

- **fixed-base (index) [2]**

1(b) Explain why a business such as CQ will occasionally change its base year. [2]

2. George has given you the table below, and has asked you for help.

Complete the table to show the quantity index of both products, using 2011 as the base year. Your index numbers should be calculated and rounded to ONE place of decimals. [4]

YEAR	SALES OF BOSCH SMV SERIES DISHWASHERS	INDEX	SALES OF HOTPOINT FD SERIES DISHWASHERS	INDEX
2010	47		84	
2011	54		75	
2012	58		65	
2013	61		59	
2014	64		55	

Seasonally adjusted figures (source: Consumer Trends 2013, ONS)

3. If the partners decide to build the new showroom, they will use it to display and sell a range of kitchen ‘white goods’ (major consumer durable goods). George has been given the following statistics, referring to spending on “major household appliances”.

Major household appliances				
YEAR	PRICE INDEX	% CHANGE, YEAR ON PREVIOUS YEAR	VOLUME MEASURES (£M)	% CHANGE, YEAR ON PREVIOUS YEAR
2009	95.0	6.1	4 690	– 14.0
2010	100.0	4.3	5 530	17.9
2011	102.3	2.3	5 196	– 6.0
2012	101.9	– 0.4	5 508	6.0

Use this information to answer the following questions.

3(a) Suggest why the year 2010 appears to be particularly significant in this information. [2]

Lined paper template with horizontal ruling lines.

6. **George has been told that you have studied critical path analysis (CPA) and Gantt charts. He has asked you for advice.**

Complete the following memo to George, comparing CPA and Gantt charts and explaining which of these techniques you would recommend for THIS PROJECT, giving reasons for your decision. [8]

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END OF SECTION D

END OF PAPER



From:

George Cherrill

To:

Work Experience Student

Subject:

Types of shower

Date:

Today

We keep records of the various bathroom showers we install to help decide which to continue selling. We currently sell the following types, which we buy from a London-based manufacturer.

Although our TRADITIONAL SHOWERS have been around for ages and they've never gone wholly out of fashion, there are clear signs of a changing market with other types taking over, and so we don't sell anything like as many of these today as we did five years ago.

DIGITAL SHOWERS have been sold by us for over a decade now and are our best seller, having shown consistent sales for some time because they're reliable and simple to operate, having a 'one-push' button plus an LED display to show the water temperature.

BAR SHOWERS came onto the market three years ago, and our sales have increased year on year because they are suitable for compact bathrooms and ideal for when a shower needs to be installed over a bath, because their controls take up little space. With the trend towards smaller homes, we expect sales of these showers to continue growing.

Earlier this year our supplier launched a range of CONCEALED SHOWERS for the domestic market. We expect these to become very popular, once the public discovers them, because they are designed to hide the main shower unit in the wall and are therefore ideal for smaller showering spaces or en suites.