



*Rewarding Learning*

ADVANCED SUBSIDIARY (AS)

General Certificate of Education

2009

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## Business Studies

### Assessment Unit AS 2

*assessing*

### Module 2: People in Organisations, and Accounting and Finance

[AST21]

WEDNESDAY 10 JUNE, MORNING

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#### TIME

1 hour.

#### INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.  
Answer **both** questions.

#### INFORMATION FOR CANDIDATES

The total mark for this paper is 50. You will be assessed on the quality of written communication demonstrated in your response to all questions except **2(a)**.  
Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

#### ADVICE TO CANDIDATES

You are advised to take account of the marks for each part question in allocating the available examination time.

1 Study the information below and answer the questions that follow.

### Training and Leadership

Packem Ltd is a manufacturer of packaging and display products for the food industry. Approximately eighty workers are employed in its purpose built factory situated on the outskirts of Coleraine. Since moving into the factory five years ago, Packem Ltd has operated very profitably although it is currently experiencing liquidity problems following the purchase of some machinery last year.

Philip Edwards, the Human Resource Manager in Packem Ltd, has approached Marion Bell, the Finance Manager, to request a £25 000 increase in the staff training budget. In the process of revising the Human Resource Plan, Philip became aware that not all operatives were capable of using the latest machines purchased by the company. Training ten workers would better prepare the firm to exploit any new market opportunities that might arise.

However, Marion was unable to give Philip a positive response. She explained that all new requests for funds had to be authorised by Gary O'Connor, the new Managing Director. Furthermore, she pointed out, it was pointless for Philip to even think any more about the training programme until it had been approved by Gary.

Philip was both dismayed and annoyed by this response. He did not appreciate the autocratic leadership style employed by Gary O'Connor. He favoured a more democratic approach and thought back to the days of the previous Managing Director when everything seemed so much more relaxed in the factory.

- (a) Explain **three** reasons why a Managing Director such as Gary O'Connor should adopt a democratic leadership style. [10]
- (b) Discuss the benefits and drawbacks of implementing a staff training programme within Packem Ltd. [15]

2 Study the information below and answer the questions that follow.

**Cash Flow Forecasting and Sources of Finance**

Shesells is an ice cream and confectionery shop located in a small seaside village on the Antrim Coast. It is owned by Amy Starr who works in the shop by herself. She enjoys being her own boss but sometimes finds it difficult to manage the workload. Her business is very seasonal with July and August being her two best months. Amy has just completed drawing up a cash flow forecast covering the period from March to August. This is shown below in **Table 1**. Some of the figures are missing.

**Table 1: Cash flow forecast for Shesells from March to August.**

<b>Receipts</b>						
Sales	3000	4000	6000	8000	19 400	20 400
Total Receipts	3000	4000	6000	8000	19 400	20 400
<b>Payments</b>						
Purchases	5000	5000	1500	2000	4000	5000
Wages	2500	2500	2500	2500	2500	2500
Electricity	400	–	–	400	–	–
Other Expenses	500	500	200	200	200	200
Total Payments	8400	8000	4200	5100	6700	7700
<b>Net monthly cash flow</b>	-5400	-4000	?	2900	12 700	12 700
<b>Opening balance</b>	?	?	-7400	-5600	-2700	10 000
<b>Closing balance</b>	-3400	-7400	?	-2700	10 000	22 700

Amy would now like to expand her business. She intends to buy an ice-cream van so that she can sell to holidaymakers at popular locations. The van would cost her £20 000. Amy plans to buy it at the end of August because, with strong summer sales, she expects to have the cash to pay for it. However, taking out a bank loan would enable her to buy it right away. Alternatively, Amy’s friend, Ruth, has offered to become a partner in the business and invest £20 000 capital.

(a) (i) Explain how preparing a cash flow forecast can help Amy to manage her business. [4]

- (ii) Calculate
- the opening balances for March and April
  - the net monthly cash flow for May
  - the closing balance for May

You are **not** required to copy out all of **Table 1**.

[4]

(iii) Calculate the closing balance in August if sales in June are only £5 000 instead of £8 000. [2]

(b) Discuss which of the three options Amy should choose to enable her to buy the new ice-cream van. [15]

