

New
Specification



Rewarding Learning

ADVANCED
General Certificate of Education
January 2010

Business Studies

Assessment Unit A2 1

assessing

Making Business Decisions

[AT211]

MONDAY 25 JANUARY, AFTERNOON



TIME

2 hours.

INSTRUCTIONS TO CANDIDATES

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

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.
Quality of written communication will be assessed in Questions **5** and **6**.
Figures in brackets 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 question or part question.

Study the information below and answer the questions that follow.

The Great British Bank Group (GBB Group)

The Great British Bank Group was established in 1810 and has grown to become one of the largest financial services groups in the world through takeovers and mergers. It operates around the globe and provides banking services for individuals, businesses and institutions. It is committed to innovation and service, in business and through its many sponsorship activities.

GBB Group's Mission Statement is:

“To deliver superior value and quality, we run our business with integrity and transparency, delivering effective financial results within clearly defined business principles.”

In 2008, the GBB Group's chief executive, Sir Robin Ponsoby, stepped down after the organisation had to be bailed out by the government with £20bn of public money. Sir Robin was commonly described as the most charismatic of the banking bosses, and had a reputation for cutting costs and saving money.

Sir Robin was in charge at the GBB for nine years and steered it to become one of the world's top five banks. However, four months after leaving the GBB Group, the former chief executive was under government investigation in relation to the legality of his £750 000-a-year pension. Some politicians have even called for a ban on such large pension agreements.

Twice during 2008, the Group sought additional capital from shareholders to enable it to weather the very testing environment it was operating in. On the second occasion, the capital raised was guaranteed by the UK government and in October it became the Group's majority shareholder.

In March 2009, the Great British Bank published its Annual Accounts and announced a loss of £22.1bn, the largest annual loss in UK corporate history. It also announced that the government would inject £13bn into the GBB Group on top of the £22bn already provided in the previous year.

The GBB Group's new chief executive John Roberts said the bank was “under no illusions” about the scale of the losses. He also said he would make “sweeping” changes to the Group's structure following the loss, and said that job cuts would be substantial but gave few details. This angered union representatives who suggested that job losses could total 20,000.

“We are extremely frustrated by the lack of clarity over the Group's restructuring proposals with no firm detail on jobs”, said the union's joint general secretary, David Stevens.

In his first Annual Company Report as Chairman of the Board of Directors, Sir Paul Hislop stated that 2008 had been painful for shareholders and employees and sometimes testing for customers. He also pointed out that the external environment had seen unprecedented turbulence in financial markets due to deteriorating economic conditions around the world.

Shareholders

Hislop announced a strategy that no dividends would be paid on Ordinary Shares in 2009. However, he stressed that the Board recognised the importance of dividends for shareholders and outlined its intention to return to paying them.

Employees

Hislop also recognised that 2008 had been a year of anxiety and uncertainty for employees and that this was not over. He also stated that there was a need for a strategy to offer competitive remuneration for teams and individuals who performed well.

Customers

Additionally, the Report highlighted how the GBB Group had met its personal and corporate customer needs based on a strategy of providing them with a high quality of service.

Communities

The report also stressed the importance of the GBB Group's strategy of working with the wider community including customers, governments, suppliers and other stakeholders.

Despite being forced to introduce such drastic measures to ensure the Group's survival, Sir Paul Hislop was awarded £1.5m of share options on top of an annual salary of £850,000.

It is evident that there are conflicting objectives within the GBB Group and the management team will need to devise strategies to deal with these.

Fig. 1: GBB Group (Interim Financial Data as at 31st December 2009)

	2009
	£bn
Total Income (Revenues)	6.7
Current Liabilities	85.00
Current Assets	106.3
Long Term Liabilities	83.4
Shareholders' Funds	22.9

Candidates must answer **all** questions.

- 1 Calculate (a) the Current Ratio; and
(b) the Gearing Ratio
for the GBB Group as at 31st December 2009. [4]
- 2 Analyse the current position of the GBB Group, using any **three** elements of
PESTEL analysis. [7]
- 3 Evaluate the benefits and limitations to an organisation such as the GBB Group of using
ratio analysis to assess its performance. [15]
- 4 Evaluate the usefulness of a mission statement to an organisation such as
the GBB Group. [15]
- 5 Evaluate growth as a business objective to an organisation such as the GBB Group. [19]
- 6 Evaluate **three** strategies that an organisation such as the GBB group could use to
deal with conflicting stakeholder objectives. [20]

Note: The following formulae may be used:

- a. Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
- b. Gearing Ratio = $\frac{\text{Long Term Liabilities}}{\text{Shareholders' Funds}} \times 100/1$

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