



Rewarding Learning

ADVANCED  
General Certificate of Education  
January 2010

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## Business Studies

### Assessment Unit A2 1

*assessing*

Modules 4 and 5:  
Objectives and The Business Environment,  
People in Organisations,  
Accounting and Finance,  
Marketing and Operations Management

[A2T11]



A2T11

THURSDAY 21 JANUARY, AFTERNOON

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#### TIME

1 hour 40 minutes.

#### INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.  
Answer any **two** questions out of four.

#### INFORMATION FOR CANDIDATES

The total mark for this paper is 60.  
Quality of written communication will be assessed in **all** questions except **Question 3(b)**.  
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 question in allocating the available examination time.

Answer any **two** questions.

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

### **Motivation and Appraisal in the workplace**

Ben Miller has recently been appointed as the new Managing Director of Telesales plc. Telesales plc is a leading provider of call centre solutions in the UK, enabling both public and private sector businesses to communicate effectively with their customers. Telesales plc has a very experienced workforce, and in Northern Ireland alone, it plans to employ 1300 people by the end of next year.

Increased absenteeism figures suggest that working in a call centre can be very stressful and management have examined ways to improve job satisfaction. At a recent departmental meeting, managers discussed the work of Herzberg. They propose to implement his ideas within the company and in the long term improve overall motivation.

The previous Managing Director employed an autocratic style of leadership. Ben Miller was determined to change this to a democratic style. Furthermore, following a successful consultation with trade union representatives, he is planning to implement a system of performance appraisal in the organisation as soon as possible.

- (a) Explain briefly Herzberg's theory of motivation. [4]
- (b) Discuss the implications for employees of Ben Miller adopting a democratic style of leadership. [8]
- (c) Evaluate the advantages and disadvantages of implementing a system of performance appraisal within Telesales plc. [18]

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

**Primark continues to defy gloom**

The clothes shop Primark has recently increased its annual profit forecast in spite of the retail gloom. Management reported that improved demand has pushed sales up by nine percent in the past six months at Primark stores that have been open for at least a year.

A report on the company website states that:

“As Primark has grown, our ethical trading policy has come in for close scrutiny. People question how we can offer good quality fashion at low prices. Our success is based on big volumes, low mark-ups, and minimal advertising. We are a lean business which responds quickly in the marketplace, has short lines of management, good buying and excellent distribution. We believe we are firm but fair with our overseas suppliers, and offer terms that compare favourably with those of our competitors.”

This year Primark opened its first outlets in Germany, Portugal, and Spain. Its growth comes amid declining sales at high street rivals such as Next and H&M. It was reported that Primark benefited from a trend towards buying cheaper clothes. In addition, there has been a change in people’s shopping habits, particularly among 20 to 30 year old females.

While the company website provides information regarding product range, ethical trading, location and recruitment, it does not appear to fully embrace the marketing potential of the Internet.

*Story adapted from BBC NEWS:  
<http://news.bbc.co.uk/go/pr/fr/-/1/hi/business/8241394.stm>  
[http://www.primark.co.uk/Ethical/In\\_Practice](http://www.primark.co.uk/Ethical/In_Practice)*

- (a) Explain **two** reasons why a firm such as Primark markets internationally. [4]
- (b) Discuss the benefits to Primark of implementing an ethical trading policy. [8]
- (c) Evaluate the extent to which Primark might benefit from using the Internet to market its products. [18]

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

### Investment Appraisal

Boyles Clothing Ltd is a manufacturer of women's clothes. Over the last few years it has experienced a downturn in trade mainly due to competition from cheap imports. The company's finance manager is now concerned about the liquidity situation of the business. However, Boyles Clothing Ltd have very good contracts to supply national department stores throughout the UK. Tim Jones, the operations manager, has stated that modern machinery must be purchased to enable the business to compete with foreign competition.

Tim has presented the following investment data to the management for discussion. Two machines are under consideration. Machine A costs £85 000 while machine B will cost £120 000. Unfortunately, only one of the machines can be afforded. Estimated cash flows for the machines are shown in **Table 1** below.

**Table 1: Estimated cash flows for Machine A and Machine B**

Estimated cash flows (£000s)	Year 1	Year 2	Year 3	Year 4	Year 5
Machine A	30	20	20	20	10
Machine B	50	70	80	80	60

- (a) Explain why Boyles Clothing Ltd should carry out investment appraisal. [4]
- (b) (i) Calculate the payback period for both projects; and  
(ii) analyse the results obtained. [8]
- (c) Evaluate the usefulness of Net Present Value as a method of investment appraisal to a business such as Boyles Clothing Ltd. [18]

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

### Opel and Vauxhall to go to Magna

General Motors (GM) is one of the largest car manufacturers in the world. It was founded in 1908 and today manufactures cars and trucks in 34 countries. Its subsidiaries include Vauxhall and Opel who have had car manufacturing bases in the UK and Germany for over 100 years. General Motors announced recently that it has accepted an offer from Canadian car parts manufacturer, Magna, as the buyer for Vauxhall and Opel.

The sale signals the start of a restructuring process, with an expected 10 000 out of 50 000 Vauxhall and Opel jobs in Europe being axed. British trade unions have expressed concern about the future of Vauxhall's 5500 UK workers.

General Secretary of the Unite Union, Tony Woodley stated: "We need to make sure that British plants and people are not treated disproportionately during the restructuring that will take place." However, UK Business Secretary, Lord Mandelson said he had received assurances from Magna that the futures of Vauxhall's two manufacturing plants in the UK are secure.

*Story adapted from BBC NEWS: <http://news.bbc.co.uk/1/hi/business/8247971.stm>  
Published: 2009/09/10 19:43:04 GMT © BBC MMIX  
Information correct at time of press*

- (a) Explain **two** functions of a trade union. [4]
- (b) With reference to the Case Study, discuss how the objectives of Vauxhall stakeholders might be in conflict. [8]
- (c) Evaluate the advantages and disadvantages of UK membership of the EU for a business such as Vauxhall. [18]

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**THIS IS THE END OF THE QUESTION PAPER**

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