



Rewarding Learning

ADVANCED
General Certificate of Education
January 2011

Business Studies

Assessment Unit A2 1

assessing

Making Business Decisions

[AT211]

MONDAY 24 JANUARY, AFTERNOON



TIME

2 hours.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate 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.

Read the information below and answer the questions that follow.

Clear View Ltd Hurt by Recession

Clear View Ltd is a family owned business based in Dungannon, Northern Ireland, and has been manufacturing windows and doors for 20 years. Prior to 1993, the company operated out of rented premises, supplying windows and doors to the Northern Ireland market. The firm had 30 employees and supplied its products in just two colours; white and mahogany.

In 1993, under the leadership of Bill McKenna, the company diversified from selling to individuals to concentrate on supplying construction companies. With this new strategy in place, Clear View Ltd began its rapid growth and it has now developed into one of the UK and Ireland's largest manufacturers of PVCu doors, windows, conservatories and glass sealed units. Choosing only the best quality materials, each product range is crafted to the highest possible standard using advanced techniques throughout the manufacturing process.

The Company's vision is clearly outlined in its mission statement below:

“To be the best organisation within the market sector we serve by developing products and services which meet or exceed customer expectations.”

To fulfil this vision, Clear View Ltd strives to achieve the following:

- **A three-day turnaround for frame orders**
- **Glass sizes cut to measure within five working hours**
- **Speedy delivery by the fleet of Clear View lorries**
- **The option of on-line ordering via Clear View Direct**
- **A dedicated team of staff to look after customer orders from receipt to delivery**
- **Conservatory orders processed within 12 working days**

Clear View Ltd has received recognition for its dedication to on-going quality and improvement through achieving awards such as the ISO 9001 and the British Standard Kitemark.

To finance its plan to pursue further quality initiatives, Clear View Ltd has borrowed from the bank to invest in a new cutting machine. Working with a budget of up to £50,000, the Operations Manager is considering two machines and the expected returns are shown in **Table 1**.

Table 1
Investment Projects

	Machine A (£000)	Machine B (£000)
Initial cost	50	40
Returns: Yr 1	25	10
Yr 2	25	20
Yr 3	25	35
Total Returns	75	65
ARR	16.6%	20.8%

Prior to 2008, Clear View Ltd enjoyed a period of expansion, facilitated both by capital investment within the business and the acquisition of a rival firm. This expansion led to a further increase in employees from 380 to 740 and an increase in turnover to £55.2m by 2009. The future of Clear View Ltd looked very promising!

However, the sharp change in trading conditions caused by the recession is illustrated in **Table 2** below.

Table 2
Clear View Ltd

Year ending 31st December	Figures in £m	2008	2009	2010	% Change between 2009–2010 (Approx.)
	Turnover	45.8	55.2	41.7	Down 24%
	Operating Profit	4	5.5	0.9	Down 84%
	Pre-tax Profit	3.3	4.8	0.08	Down 98%
	Capital Expenditure	10	1.7	5.1	Up 201%
	Shareholder's Funds	8.9	12.1	12.5	Up 3%

The figures for Clear View Ltd reflect a dramatic reduction in activity within the construction sector and it suggests that the growth objective pursued by the firm may no longer be viable. Indeed, the number of staff employed by the firm had fallen to 602 by 2010, representing a decrease of approximately 6%, relative to staffing levels reported in the previous financial year. Management therefore need to focus on 'survival', at least in the short term.

Candidates must answer **all** questions.

- 1 Explain **two** reasons why Clear View Ltd should have a mission statement. [4]

- 2 Analyse the potential for conflict between **three** stakeholder groups within Clear View Ltd. [7]

- 3 Discuss 'survival' as an appropriate objective for an organisation such as Clear View Ltd. [15]

- 4 Evaluate the advantages and disadvantages of Average Rate of Return (ARR) as a method of investment appraisal to a business such as Clear View Ltd. [15]

- 5 Evaluate the benefits and limitations to an organisation such as Clear View Ltd of using Ansoff's Matrix as a decision-making tool. [19]

- 6 Evaluate the usefulness of published accounts to the shareholders of Clear View Ltd. [20]

THIS IS THE END OF THE QUESTION PAPER
