

Paper Reference(s)

6124/01

Edexcel GCE

Business Studies (9076)

Advanced

Unit 4: Analysis and Decision Making

Monday 22 January 2007 – Afternoon

Time: 1 hour 15 minutes

Materials required for examination

Answer book (AB08)

Items included with question papers

Nil

Instructions to Candidates

In the boxes on the answer book, write your centre number, candidate number, the paper reference, your surname, other names and your signature.

The paper reference is shown above.

Show all the steps in any calculations and state the units.

Answer ALL questions in the answer book provided. Additional answer sheets may be used.

Information for Candidates

The marks for the various questions are shown in round brackets: e.g. (2).

There are 2 questions in this question paper.

The total mark for this paper is 84.

There are up to 4 marks for the Quality of Written Communication.

Any blank pages are indicated.

Calculators may be used.

Dictionaries may **not** be used in this examination.

Advice to Candidates

You must ensure that your answers to parts of the questions are clearly numbered.

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Answer ALL questions.

1. Roscoe's Diners (RD) Ltd is a chain of 'fast-food' outlets based in the United Kingdom (UK). RD Ltd has been selling fast-food meals since the 1960s in this competitive market where customers expect low prices, quick service and value for money.

The directors of RD Ltd are considering opening a new fast-food outlet in the West Midlands in either Wolverhampton or Stafford.

Option A is to open a new fast-food outlet in Wolverhampton, a city with a population of approximately 250 000 and many existing fast-food outlets.

- The probability of RD Ltd selling enough meals this year in this outlet to make £100 000 profit is 0.60.
- The probability of not selling enough meals this year in this outlet is 0.40, which will mean RD Ltd makes a loss of £50 000.

Option B is to open a new fast-food outlet in Stafford, a town with a population of approximately 125 000, where there are far fewer existing fast-food outlets.

- The probability of RD Ltd selling enough meals this year in this outlet to make £60 000 profit is 0.75.
- The probability of not selling enough meals this year in this outlet is 0.25, which will mean RD Ltd makes a loss of £20 000.

(a) Using a decision tree diagram, analyse the two options available to RD Ltd.

(8)

(b) Assess the usefulness of decision tree analysis to the directors of RD Ltd when making this decision.

(12)

After making their decision where to locate the outlet, the directors of RD Ltd will have to decide whether to build a completely new outlet or whether to convert an existing building. The directors will want to set deadlines to ensure the building or conversion work is completed as quickly as possible.

(c) Evaluate the extent to which the use of critical path analysis will assist the directors when making the decision whether to build or convert.

(20)

(Total 40 marks)

2. RD Ltd opened a new outlet in Birmingham at the start of 2006. Arthur Merchant, the manager, has produced the following summary of budgeted and actual sales for 2006.

Food sales for 2006

Quarter	Budgeted		Actual	
	Number of meals	Average price per meal (£)	Number of meals	Average price per meal (£)
January–March	20 000	3.00	17 500	3.10
April–June	30 000	3.00	28 000	3.20
July–September	35 000	3.00	33 000	3.25
October–December	40 000	3.00	38 000	3.25

- (a) (i) Calculate the sales variance for each quarter, and the total sales variance, for the Birmingham outlet. (6)
- (ii) Analyse the possible reasons for these variances. (6)
- (b) Assess the extent to which sales **forecasting** may help Arthur Merchant in his decision making at the Birmingham outlet. (14)

RD Ltd faces strong price-based competition from other fast-food companies. To help control costs, the directors are proposing to withdraw the staff benefit of free food at break times.

RD Ltd's staff are unhappy about this proposed change. They are not in a trade union, although there is a staff association. Members of this association have asked for a meeting with the directors about the withdrawal of this benefit.

- (c) Evaluate how the directors might respond to the concerns raised by the staff association. (14)

(Total 40 marks)

Quality of Written Communication: 4 marks

TOTAL FOR PAPER: 84 MARKS

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