

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCE

Business Studies

Advanced Subsidiary

Unit 2A: Managing the Business

Thursday 21 January 2010 – Afternoon

Time: 1 hour 15 minutes

Paper Reference

6BS02/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Section A and Section B.
- Answer the questions in the spaces provided – *there may be more space than you need.*
- You may use a calculator.

Information

- The total mark for this paper is 70.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Quality of written communication will be taken into account in the marking of your response to question 13 in Section B. This question is indicated with an asterisk* – *you should take particular care on this question with your spelling, punctuation and grammar, as well as the clarity of expression.*

Advice

- Read each question carefully before you start to answer it.
- Keep an eye on the time.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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SECTION A

Answer ALL the questions in this section.

Write the letter of your chosen answer in the box and then explain your choice in the space provided.

You should spend 30 minutes on this section.

1 (a) At the Atrium Café in Beverley, in Yorkshire, the bacon, lettuce and tomato baguette is a popular item. The owner described it as a 'cash cow'. A cash cow is (1)

- A** a product which generates all the profit for a firm
- B** a product with a high market share and a high rate of growth
- C** a product with a low market share and a high rate of growth
- D** a product which generates a significant amount of revenue for a firm

Answer

(b) Explain why this answer is correct. (3)

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(Total for Question 1 = 4 marks)



2 (a) Convention dictates that a company looks after its shareholders first, their customers next and their employees last of all. At Virgin we do the opposite because our employees matter most.

Richard Branson

Which of the following would **not** be considered a maintenance or hygiene factor according to Herzberg's theory of motivation?

(1)

- A Working conditions
- B Recognition
- C Pay
- D Administration

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 2 = 4 marks)



3 (a) McDonald's, a chain of fast food restaurants, has set itself the marketing objective of sales growth. Which of the following constraints to sales growth is an external constraint?

(1)

- A** The business is unable to generate new funds
- B** Management are reluctant to reduce prices
- C** Advertising legislation
- D** The firm uses a limited number of channels of distribution

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 3 = 4 marks)



4 (a) Schools and colleges in the UK are changing the way they operate their administration systems.

Which of the following is **least** likely to result from the introduction of a more decentralised system of management?

(1)

- A Increased motivation amongst those empowered to make decisions
- B Greater consistency in the decisions made
- C The development of skills among the junior members of the management team
- D An increase in the speed at which essential decisions are made

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 4 = 4 marks)



5 (a) The Nissan car plant in Sunderland operates a just-in-time method of stock control. This requires each of the following from its suppliers, **except**:

(1)

- A lower wages for its warehouse staff, and low administration costs
- B total reliability in delivering products as and when needed
- C adaptability and a quick response to changing stock needs
- D components which have zero defects

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 5 = 4 marks)



6 (a) The price elasticity of demand for a Sony MP3 player is likely to be low if (1)

- A it is very similar to competitors' products
- B the company has a very low advertising budget for this product
- C the brand has low consumer loyalty
- D it has an attractive unique feature and design

Answer

(b) Explain why this answer is correct. (3)

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(Total for Question 6 = 4 marks)

TOTAL FOR SECTION A: 24 MARKS



SECTION B

Answer ALL the questions in this section.

You are advised to spend 45 minutes on this section.

Evidence A

Cash-flow Crisis – Not a Pretty Picture. Tyler Security Systems (TSS).

Jim Tyler was a worried man. He had seen turnover in his security business, mainly closed circuit television (CCTV) camera equipment, rise by 50 per cent between 2007 and 2008, with a similar increase in gross profit. However, after operating costs had been deducted, a loss of £16,300 in 2007 had only been turned into an operating profit of £7,330 in 2008, a return on sales of less than 3 per cent.

Jim and his son Joe, a partner in the firm, knew that their gross profit margin on CCTV cameras was in line with the industry norm, and in any case their after-sales service was second to none, yet their efforts were not being rewarded. After meeting their bank manager (at his request) they decided to produce a series of budgets and incorporate them into a cash-flow forecast.

	2007	2008	2009
Turnover	£240,000 (actual)	£360,000 (actual)	£480,000 (budget)

Figure 1

Their order book was expanding and they felt a 33 per cent increase in sales revenue was possible. The budgeted sales figures for the first 6 months are shown in the cash-flow forecast (Figure 3).

	2007	2008	2009
Labour Costs	£57,000 (actual)	£70,000 (actual)	£73,000 (budget)

Figure 2

The firm employed three engineers who installed the systems, and one part-time administrator. The engineers were paid a salary package, irrespective of the number of systems fitted or the time taken to fit them, packages which had increased substantially in 2008. Each engineer had use of a company van which they took home each night. The budgeted labour costs for the first 6 months are shown in the cash-flow forecast.



Cash-flow Forecast

2009 Income	Jan £	Feb £	Mar £	April £	May £	June £
Sales*	20,500	26,000	42,000	42,000	53,000	53,000
Expenditure						
Labour	6,000	6,000	6,000	6,000	6,000	6,000
Premises	4,000	4,000	4,000	4,000	4,000	4,000
Advertising	2,000	2,000	2,000	2,000	2,000	2,000
Motoring	1,900	1,900	1,900	1,900	1,900	1,900
Admin	1,400	1,400	1,400	1,400	1,400	1,400
Finance	500	500	500	500	500	500
Sundries	1,000	1,000	1,000	1,000	1,000	1,000
Materials	11,000	14,000	22,000	22,000	28,000	28,000
Drawings	2,000	2,000	2,000	2,000	2,000	2,000
Total Exp	29,800	32,800	40,800	40,800	A	46,800
Net Cash-flow	(9,300)	(6,800)	1,200	1,200	B	6,200
Cumulative Balance	(9,300)	(16,100)	(14,900)	(13,700)	C	(1,300)

*The estimates for future sales indicated a similar level to those budgeted for in May and June, except for December when sales were expected to fall.

Figure 3

7 Give **two** reasons to explain why the budgeted sales for 2009 (Figure 1) may not be achieved.

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(Total for Question 7 = 4 marks)



8 Engineers at Tyler Security Systems are paid regardless of the number of systems installed or the time taken to fit them (Figure 2).

Explain **two** financial incentives that would fairly reward the engineers at TSS.

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(Total for Question 8 = 4 marks)

9 Tyler Security Systems has decided to implement a system of cash-flow forecasting.

Explain how such a system may help TSS improve its financial management.

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(Total for Question 9 = 4 marks)



10 (a) Calculate the missing figures at points A, B, and C in the cash-flow forecast (Figure 3). (2)

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(b) Explain **two** limitations of cash-flow forecasting for TSS. (4)

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(Total for Question 10 = 6 marks)



11 Banks offer businesses various forms of finance.

To what extent might an overdraft be considered better than a loan to address TSS's cash-flow problems?

Dotted lines for writing the answer.

(Total for Question 11 = 8 marks)



*13 TSS has increased its turnover by 50 per cent between 2007 and 2008 (Figure 1), but is faced with a number of problems.

Evaluate **two** lean management techniques that TSS might adopt to increase the chances of making a profit in 2009.

Dotted lines for writing the answer.



Handwriting practice area with 20 horizontal dotted lines.

(Total for Question 13 = 12 marks)

TOTAL FOR SECTION B: 46 MARKS
TOTAL FOR PAPER: 70 MARKS



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