

Thursday 14 June 2012 – Afternoon

A2 GCE BUSINESS STUDIES

F296/01/RB Business Production

RESOURCE BOOKLET

To be given to candidates at the start of the examination

Duration: 2 hours



INSTRUCTIONS TO CANDIDATES

- The information required to answer questions 1–6 is contained within this Resource Booklet.

INFORMATION FOR CANDIDATES

- The information contained within this Resource Booklet is based upon one or more real businesses.
- This document consists of 4 pages. Any blank pages are indicated.

INSTRUCTION TO EXAMS OFFICER/INVIGILATOR

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Bodger's Biscuits Ltd (BBL)

Bodger's Biscuits Ltd (BBL) has been producing biscuits in the UK since 1960. It has a 6% market share of the hugely competitive sweet biscuit market and, since a new Managing Director joined the company in 2003, has been increasingly innovative and is continually looking for new opportunities.

BBL's UK factory is based 50 miles north west of London, about 12 miles from the M40. The premises are now a little dated but provide adequate space for producing the biscuit varieties which BBL manufactures (see Table 1). 5

Table 1 – Weekly output of biscuits at BBL

| Biscuit variety | Typical weekly output as percentage of all biscuits produced |
|--|--|
| Original Cookie | 35 |
| Chocolate Chip | 30 |
| Coconut Flake | 15 |
| Vanilla Pod Cream | 8 |
| Others ('trial' biscuits & 'specials') | 12 |

BBL operates a cost centre approach to its different biscuit varieties. Within that approach it is easy to cost the ingredients used for each variety, but accurately apportioning labour and other costs such as maintenance, cleaning and overheads is more problematic. The Finance Manager takes the relatively easy option of using a full costing approach, allocating these costs proportionally using Table 1 as a rough guide. BBL, however, often gets extra 'one-off' orders, raising some interesting production and costing decisions. 10

At full output, three tonnes of biscuits can leave the production lines daily, although BBL often produces to meet a 'perceived' demand, not necessarily what is actually demanded. Sugar, flour, milk, chocolate chips and chopped nuts all arrive in vast quantities at irregular times from Monday to Friday and are put straight into their respective storage areas. Some of this movement is done by fork-lift truck; the rest by workers physically carrying the supplies. It is disorganised and chaotic and, whilst it generally 'works', it means that items are not stored in sequential order and so stock goes 'off' regularly. 15 20

Biscuits are made in batches of one particular variety on a flow based system. The production lines employ quite a lot of direct labour, largely involved in mixing, sampling, monitoring and moving the end product to storage. Firstly, flour, sugar and milk are mixed in a large rotating vat, rather like a cement mixer, to make a dough. This is then poured onto the conveyor, pressed flat and stamped into biscuit shapes. This process is very slow, largely due to the very old equipment which BBL uses at the beginning of the production conveyor. The uncooked biscuits then continue along the conveyor, passing through an oven. As they leave the oven they are, in theory, sampled every 30 minutes by an employee 'tester' in terms of shape, size, texture, chocolate chip quantity and so on. This testing is very haphazard and often an hour or two passes when no sampling is actually done. The Production Manager seems to think that the 'testing' staff will automatically test the biscuits, but they often have other jobs to do and do not always prioritise the testing. This can lead to a whole batch of substandard biscuits being packaged and sent out. After testing, the biscuits continue to cool as they move along the conveyor until they are automatically packaged and sent to storage. 25 30

Cleaning, changeover and maintenance are essential to the successful functioning of the production lines. Maintenance is always planned and is somehow squeezed into the heavy scheduling which involves 24 hour production on three shifts operating seven days a week. Preparing biscuits involves following strict regulations regarding food production, and hygiene is essential. If there is any delay in getting the finished product out of the factory then there are issues with sell-by and best-before dates. Every time a different type of biscuit is produced, the entire production line is cleaned and this causes extensive delays. Intelligent production scheduling, therefore, makes a significant difference to what the factory can produce every day.

The Managing Director is keen to develop BBL's research facilities. At present there is a small room which staff call 'The Lab' in which three full time research staff seek to develop new 'trial' products and packaging. It is a multi-purpose room incorporating features of a design studio and a chemistry laboratory – where research is carried out into preservatives, new ingredients, taste and product and packaging design and so on. BBL is deciding whether to invest £200,000 in a brand new 'state of the art' research and development facility.

The other recent development at BBL, which has got the staff talking, is a possible joint venture with Dawkins Crisps Ltd (DCL) – a local 'niche' potato crisp producer. The idea is that both companies sell their existing premises and move to a new site – together. In effect BBL and DCL would merge, although the level at which this would happen is yet to be discussed. However, it is likely that the two businesses will operate as a joint venture (this means that they will work together to a greater or lesser extent). The new multi-purpose facility could be used to produce both savoury and sweet snacks and there would be much sharing of logistics, equipment, storage, staff, expertise and research. The new site is 35 miles away, which is not a major problem and it is closer to the motorway network. Looking around the new location's potential suppliers and related logistics, both sets of company directors anticipate some external economies of scale.

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