



GCE AS/A level

1082/01

BUSINESS STUDIES – BS2

P.M. TUESDAY, 21 January 2014

1 hour 45 minutes

1082
010001

ADDITIONAL MATERIALS

In addition to this examination paper, you will need:

- a ruler;
- a calculator;
- a 12 page answer book.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Answer **all** questions.

Write your answers in the separate answer book provided.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

You are reminded that assessment will take into account the quality of written communication used in answers that involve extended writing (question 3(d)).

Answer all the questions.

1. Dissatisfaction at Benton and Son

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John Benton had built up his industrial blinds business over the last 25 years and now employed over 100 people in his factory and 20 fitters out on the road, who were managed by his son Michael.

John had just received a letter of resignation from his Production Manager, the content of which shocked him:

'I can no longer work in an environment where the only viewpoint that matters is yours. There are many talented people in this organisation who are afraid to speak their mind and are very unhappy in their jobs. It is little wonder that staff turnover at Benton's is so high and I am glad to be joining Walton's Furnishings, an organisation where my ideas and efforts will be appreciated.'

John showed the letter to his son Michael, who managed the fitters. 'I knew this would happen, Dad', he said angrily. 'In the 21st century you simply cannot treat people in such an **autocratic** way as you do. If you carry on like this, we will have no one left to manage at all in the factory. Walton's Furnishings have employed at least ten of our staff in the last eighteen months and they have not gone there for better pay. We should get the Human Resources Department to carry out a **benchmarking** exercise to see how we might improve the motivation of our staff. The **quality circles** initiative Human Resources put in place with my fitters has worked wonders, increasing productivity by at least 20%.'

- (a) (i) What is meant by *benchmarking*? [2]
- (ii) How would the Human Resources Department carry out a *benchmarking* exercise? [4]
- (b) What are *quality circles* and how might they benefit Benton and Son? [6]
- (c) To what extent do you agree that John Benton's *autocratic* management style is likely to have a negative impact on the business? [8]

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2. Expansion for CJ's Coffee Shop?

Chris Jones and his wife Julie, both aged 58, had just closed up their coffee shop for their Christmas holiday. This was the end of their second year of trading and Chris enjoyed every aspect of running the coffee shop, which was a complete contrast to his thirty-year career in the motor industry. Having been left the premises by an aunt, Chris had put the majority of his redundancy money into refurbishing the building into a smart venue in the middle of the small town where they lived. As a result, their overheads were minimal. They ran the shop entirely by themselves and the combination of Julie's excellent baking, and Chris's enthusiasm when serving the customers, had resulted in a net profit of £20000 in the last twelve months. They had built up an excellent reputation in a very short time and lots of customers came from nearby towns and villages to enjoy the food and hospitality.

As they sat down for dinner that evening, Chris announced to Julie's great surprise that he felt that they should use the profit they had made to open up another coffee shop in a town some 15 miles away. He had already decided upon a name – 'CJ's II'. Julie knew that her financial planning had been an important factor in the survival of their current coffee shop and she had some concerns about opening a second one. They had made considerable financial sacrifices in the last two years and had kept their drawings to a minimum, something she was not intending to do next year. Over the next few days she drew up a cash flow forecast for the new coffee shop (CJ's II) that Chris was proposing and suggested that he sit down and examine it very carefully.

**Table 1: Cash flow forecast for CJ's proposed second coffee shop (CJ's II):
Jan - June 2014.**

Overdraft Limit: £2500

	£s	£s	£s	£s	£s	£s
	January	February	March	April	May	June
Sales Receipts	2500	2000	2000	2500	3000	4500
Food Purchases	850	660	660	850	1000	1500
Cooking Equipment Purchases	6100					
Furniture/Fittings Purchases	6000					
Staff Wages	2500	2500	2500	2500	2500	2500
Heating and Lighting	40	40	40	35	25	25
Rent	700	700	700	700	700	700
Telephone	20	20	20	20	20	20
Insurance	250	0	0	250	0	0
Advertising	360	0	0	360	0	0
Business Rates	100	100	100	100	100	100
Drawings	0	0	0	0	0	0
Total Payments	16920	4020	4020	4815	4345	4845
Net Cash Flow	(i)	(2020)	(2020)	(2315)	(1345)	(345)
Opening Balance	20000	5580	3560	1540	(775)	(2120)
Closing Balance	5580	3560	1540	(775)	(2120)	(ii)

- (a) Calculate the value of:
- (i) Net Cash Flow for January 2014; [1]
 - (ii) Closing Balance for June 2014. [1]
- (b) Explain **two** advantages to CJ's Coffee Shops of preparing a cash flow forecast. [6]
- (c) Assess Chris's proposal to open up a second coffee shop in order to expand the business. [8]

3. Heinz – over 100 years of developing successful products

From concept through to launch



Heinz's Research and Development Department develops new products from concept right through to launch and into the supermarket. Squeeze & Stir is a good example. Our new range of rich instant soups comes in four tasty flavours. Made from a concentrated puree, each thick, delicious cup of soup is perfect as a snack or with a sandwich.

Three key elements of Heinz's R&D operations are:

- **Product Development**
While dedicated teams of creative chefs develop new recipe ideas, their colleagues in food technology manage costs, nutrition, ingredient specifications and factory trials.
- **Process Development**
The perfected products are then passed on to process engineers who specify the relevant manufacturing processes and equipment.
- **Packaging Development**
After that, our packaging experts develop exciting and innovative ways to present the products on the shelves.

Source: www.heinz.co.uk

In addition to constantly developing new products Heinz has many famous **brands**, including Heinz Tomato Ketchup, Salad Cream and Baked Beans; 400 million cans of which are sold in the UK every year. Each of these products has a very lengthy product life cycle and Heinz have developed many **extension strategies** in order to combat their many competitors and keep their customers coming back again and again.

- (a) Explain **two** reasons why *brands* are so important to Heinz. [4]
- (b) Explain, with the use of a labelled diagram, what is meant by the term '*extension strategies*'. [4]
- (c) Analyse the factors Heinz should take into account when deciding how to package its products. [8]
- (d) To what extent do you agree that Heinz's success depends more on its Research and Development Department than its Marketing Department? [10]

Heinz places a great deal of emphasis on effectively managing its employees: promoting on the basis of both performance and potential is something that it regards as key to its success. Like so many businesses today, it sees a regular **appraisal** with each of its employees as a key element of its human resource activities.

- (e) (i) What is an '*appraisal*'? [2]
- (ii) Analyse the possible benefits to a business like Heinz of undertaking appraisals with each of its employees. [6]

END OF PAPER