

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCE

Business Studies

Advanced

Unit 4A: Making Business Decisions

Monday 31 January 2011 – Afternoon

Time: 1 hour 30 minutes

Paper Reference

6BS04/01

You must have:

Insert containing all source material (enclosed)

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** the 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 80.
- 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 responses to Questions 7 (a) and 7 (b) in Section B. These questions are indicated with an asterisk*
– *you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.*
- Candidates are expected to be familiar with Evidence A to G for this paper before the examination.

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

Evidence A to G was pre-issued before the date of the examination.

Using the evidence and your own knowledge, answer all six questions (total 30 marks).

Time allowed (35 minutes).

Additional Evidence H

Labour Productivity and Employee Turnover at Morrisons

Labour Productivity

After the cost of products, our two biggest costs are store wage costs and distribution costs. In both areas, we continued to improve our efficiency.

Store labour productivity increased by 6% year on year, following a 14% improvement in the previous year.

(Source: Morrisons Annual Review and Summary Financial Statement 2008)

Employee Turnover

Employee stability*
(%)



Between 2008 and 2009 our employee (labour) turnover rate has fallen and our employee stability has risen 2% to 78%. Moreover, some 33% of our employees have been with us for at least five years, with 164 celebrating 25 years' service in 2009.

*Employee Stability is the percentage of workers who have been with the business for over a year.

(Source: from Morrisons Annual Report and Financial Statements 2009)

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1 What is meant by the term 'Labour Productivity' (see Additional Evidence H)?

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(Total for Question 1 = 2 marks)



2 What is meant by the term 'Operating Profit' (see Evidence B, line 6)?

(Total for Question 2 = 2 marks)

3 Explain the difference between 'Organic growth' and 'External growth' with reference to Morrisons.

(Total for Question 3 = 4 marks)



4 (a) Using Evidence B, calculate the Gross Profit Margins for 2008 and 2009.

(4)

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(b) Comment on the results of these calculations.

(4)

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(Total for Question 4 = 8 marks)



5 Analyse **two** possible reasons for recent improvements in Morrisons' Employee **Labour Turnover** figures (see Additional Evidence H).

Dotted lines for writing.

(Total for Question 5 = 6 marks)



6 Assess the possible impacts on Morrisons' Corporate Culture of Sir Ken Morrison's decision to step down as Chairman.

A series of horizontal dotted lines for writing the answer.

(Total for Question 6 = 8 marks)

TOTAL FOR SECTION A: 30 MARKS



Section B

Decision-making report

Read the following evidence carefully.

Using ALL the evidence and your own knowledge, answer both parts of the question (total 50 marks).

Time allowed (55 minutes).

7 In March 2009, Morrisons unveiled plans to open a new store in the Handsworth area of Birmingham. This was met by opposition from several stakeholder groups including small independent retailers concerned that they would be unable to compete with the new store, and local residents worried about increased traffic congestion in the area surrounding the proposed store.

*(a) With reference to potential conflicts between socially responsible behaviour and profit-based objectives, evaluate whether Morrisons should go ahead with plans to open the Handsworth store.

(20)

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Lined writing area with horizontal dotted lines.



*(b) Evaluate Morrisons' decision to open 48 new stores in one financial year.

(30)

A series of horizontal dotted lines for writing the answer.



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Handwriting practice area with 25 horizontal dotted lines.

(Total for Question 7 = 50 marks)

TOTAL FOR SECTION B: 50 MARKS
TOTAL FOR PAPER: 80 MARKS



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Insert containing all source material.

Do not return the insert with the question paper.

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Evidence A

Morrisons guns for big rivals in the South after profits jump

Morrisons has outlined its biggest store expansion programme since it acquired Safeway in 2004. These plans were revealed after publishing full-year pre-tax profits up by 7 per cent and credit crunch-defying sales.

The Bradford-based grocer revealed that it plans to open 48 stores within 12 months, including 38 it is acquiring from the Co-operative Group, as it tries to become a nationwide grocer. In addition, Morrisons, the UK's fourth-largest supermarket chain, has identified a further 100 sites, primarily in the south and London, to compete more aggressively with Tesco, Asda and Sainsbury's. 5

Marc Bolland, the chief executive of Morrisons, said: 'Our focus for the next few years is growth in floor space.' 10

The aggressive store expansion programme, along with its investment in IT, will result in a near-doubling of Morrisons' capital expenditure this financial year to more than £1.1 bn. Over the four years to February 2011, Morrisons plans to open 2 million sq ft of additional space. The business will accelerate its store openings through organic growth in 2010–11 by 40 per cent to 500,000 sq ft of space, up from 350,000 sq ft this financial year. 15

For the year to 1 February 2009, Morrisons grew its pre-tax profits by 7 per cent to £655 m. Its like-for-like sales jumped by 7.9 per cent over the 52 weeks, with growth of 7.6 per cent in the first half and an acceleration to 8.1 per cent in the second half, as the worst of the credit crunch surfaced.

Mr Bolland said the company had delivered growth across the UK, but it had been particularly strong in the south of England and Scotland. Total sales rose by 12 per cent to £14.5 bn. 20

Morrisons delivered sales growth across its product range, but the star performer was value range sales, which rocketed by 50 per cent. The sales growth of its premium lines, 'The Best', slowed to 5 per cent, but Mr Bolland said this was ahead of its rivals. 25

He added that it was grabbing market share from its big three rivals, as well as from the more upmarket grocers Waitrose and Marks & Spencer. 'We are the only one of the big four retailers not losing share to the discounters,' Mr Bolland said.

Morrisons has again resisted pressure to move heavily into non-food or to launch an online grocery offer, but the grocer will launch 500 new non-food homeware lines, which will complement its food range, this year. 30

(Source: adapted from an article by James Thompson, *The Independent*, Friday 13 March 2009)

Evidence B

Summary Income Statement	2009	2008	Change
	£ m	£ m	%
Turnover	14 528	12 969	12
Gross profit	913	818	12
Other operating income	37	30	23
Administrative expenses	(281)	(268)	5
Property transactions	2	32	–
Operating profit	671	612	10
Finance income and cost	(16)	–	–
Taxation	(195)	(58)	236
Profit/(loss) for the period	460	554	(17)

(Source: WM Morrison preliminary accounts, 12 March 2009)

Evidence C

At Morrisons we value our staff

Whether you work in one of our stores, at Head Office or at one of our warehouses or distribution centres, you can expect excellent training, great prospects and fantastic benefits and opportunities including the following:

- Competitive Rates of Pay
- 10% Staff Discount
- Free Life Assurance
- Profit Share (after qualifying period)
- 29 Days' Paid Holiday (after qualifying period)
- Service Award (after qualifying period): £125 after 5 years, £250 after 10 years, £375 after 15 years and £500 after 20 years
- Subsidised Staff Canteen
- Opportunity to join the Stakeholder Pension Scheme
- Health Care Cash Plans
- Premium Payments for Sunday Working
- Selected Discount Benefits with APH, Thomas Cook, RAC, Kwik Fit and many more
- Social Committees – many of our locations have Social Committees which organise a number of activities ranging from theatre trips to Christmas parties
- Fundraising Events for the Charity of the Year.

(Source: adapted from Morrisons website)

Evidence D

	Activity	Duration (weeks)	Preceding Activity/ies
A	Foundations	6	–
B	Drainage	8	–
C	Erect steel frame	2	A, B
D	Brickwork and blockwork	15	A,B
E	Roof structure	9	C,D
F	External window and doors	4	E
G	Internal floor tiling	5	E
H	Ceilings	8	F
I	Joinery and internal doors	2	F
J	Decoration	7	H
K	Fixtures and fittings	4	I

Southern Counties Construction proposed schedule for construction of a new Morrisons store.

Evidence E

Morrisons bids for big time after family bows out

This week is an historic one for Morrisons and its founding family. On Thursday, 75-year-old Sir Ken Morrison will step down as chairman, to be succeeded by Ian Gibson, after more than 50 years in charge.

Sir Ken took over the company at the age of 21 and ran it until 2006. His father, William, founded what is today a FTSE 100 company when he became an egg and butter merchant in Bradford, Yorkshire, in 1899. For the first time, no member of the Morrison family will be in charge or on the board, which may have an impact on the culture of the business.

In many ways, Morrisons has been changing for some time. Sir Ken's retirement is more symbolic than anything. Since Dutchman Marc Bolland became chief executive 18 months ago, he has tried to shake off its dowdy image as a budget, pie-selling traditional Northern retailer, which the Morrison family had worked so hard to foster over the years. This formula was successful when the supermarket was based in Yorkshire, but when Sir Ken bought the mainly southern-based Safeway in 2003, many former Safeway shoppers deserted Morrisons.

Ten years ago, Morrisons' Christmas television adverts featured the supermarket's pies, cut-price family-size packets of crisps and smiling in-house butchers. Last Christmas, singer Lulu was the star turn in its advert, which also starred celebrities Nick Hancock, Denise van Outen and football pundit Alan Hansen, as part of the supermarket's attempts to inject some glamour and modernity into its image and attract younger, more southern-based shoppers.

(Source: adapted from an article by Tim Webb, *The Observer*, Sunday 9 March 2008)

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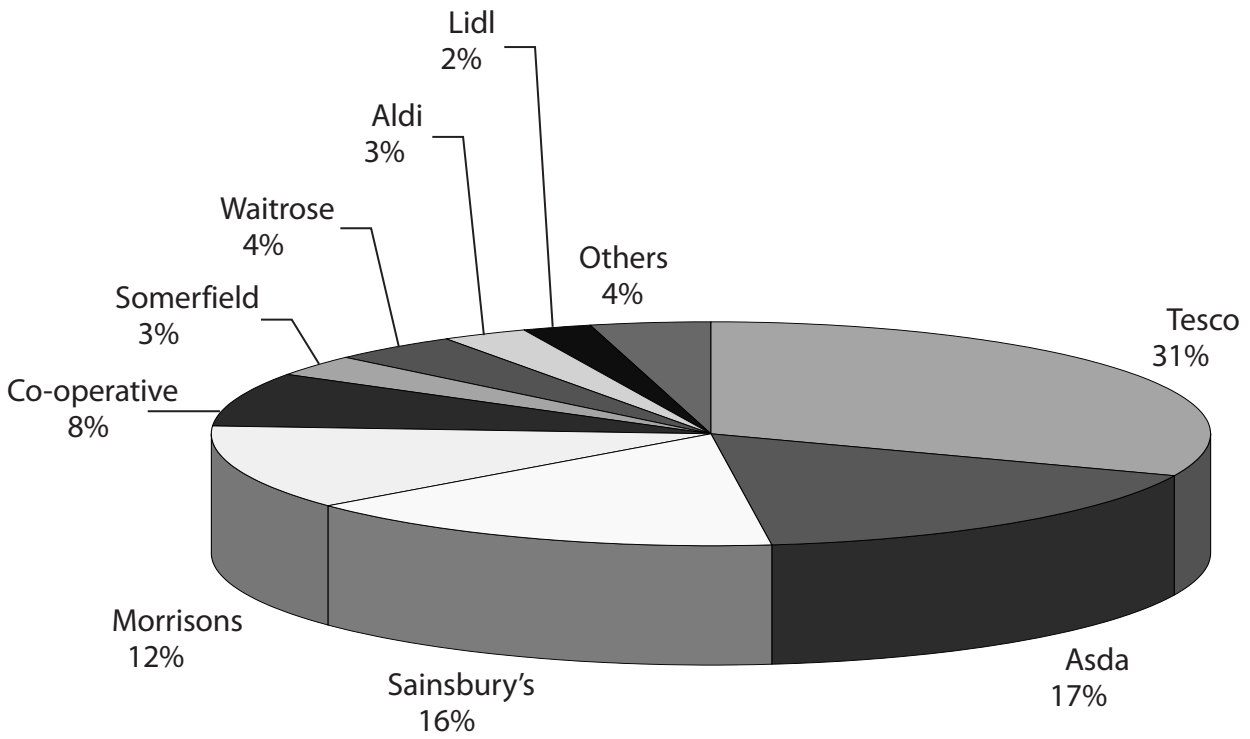
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Evidence F

UK grocery sales market share, June 2009



(Source: adapted from Retail Week/TNS sales data, 23 June 2009)

Evidence G



In September we launched our Let's Grow Scheme that aims to help schools capture the imagination of the nation's children to show them that food doesn't just come from supermarkets. By collecting Let's Grow vouchers customers will be enabling children to get their hands dirty for good reason by giving them the opportunity to grow their own food in the school grounds.

For every £10 customers spend in-store, they will receive a voucher that schools can collect and redeem for brand new gardening equipment including seeds, spades and greenhouses. Whether a parent, family member or a teacher, it's easy to get involved and get children growing today.

For more information visit
www.morrisons.co.uk/letsgrow



(Source: Corporate Social Responsibility section of Morrisons half-yearly report 2008/2009)

Additional Evidence H

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