

**ADVANCED GCE
 APPLIED BUSINESS**

Unit 9: Strategic Decision-Making

WEDNESDAY 11 JUNE 2008

F248

Morning
 Time: 2 hours

Candidates answer on the question paper

Additional materials (enclosed): Clean copy Case Study

Additional materials (required):
 Calculator



Candidate Forename

Candidate Surname

Centre Number

Candidate Number

INSTRUCTIONS TO CANDIDATES

- Write your name in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use blue or black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- Do **not** write in the bar codes.
- Write your answer to each question in the space provided.
- Additional answer space is available on the lined pages at the back of this booklet. Answers on these pages **must** be clearly numbered.

INFORMATION FOR CANDIDATES

- The number of marks for each question is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **100**.
- The quality of written communication will be taken into account in marking your answer to the question marked with an asterisk (*).

FOR EXAMINER'S USE

1	
2	
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7	
TOTAL	

This document consists of **13** printed pages and **3** lined pages.

1 (a) What is meant by the term 'mission statement'?

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.....
..... [2]

(b) Describe **one** possible strategic objective which a small private limited company might have in its first year of trading.

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..... [3]

[Total: 5]

2 Erica is concerned about the number of expedition leaders moving to other firms.

	2006	2007
Number of expedition leaders leaving <i>EETL</i>	16	19
Average number of expedition leaders employed by <i>EETL</i>	25	28

(a) Calculate the labour turnover among expedition leaders in 2007.

[2]

Show your working:

Answer =

(b) Analyse the likely problems which *EETL* could face as a result of a high labour turnover among its expedition leaders.

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..... [6]

[Total: 8]

3 Erica calculated the likely net cash-flow for each of the three options.

	Net cash-flow		
Year	Option 1	Option 2	Option 3
0	(282 000)	(45 000)	(750 000)
1	20 000	25 000	75 000
2	30 000	20 000	100 000
3	56 000	20 000	130 000
4	122 000	15 000	200 000
5	162 000	10 000	250 000
6	190 000	10 000	250 000
7	206 000	10 000	250 000

(a) Calculate, showing your workings, the Payback Period for **Option 1**.

[2]

Show your working:

Payback Period =

(b) Calculate, showing your workings, the ARR for **Option 1**.

[4]

Show your working:

ARR =

(c) Describe **one** disadvantage of using **each** of the Payback Period and the ARR as investment appraisal techniques.

(i) Payback Period
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..... [2]

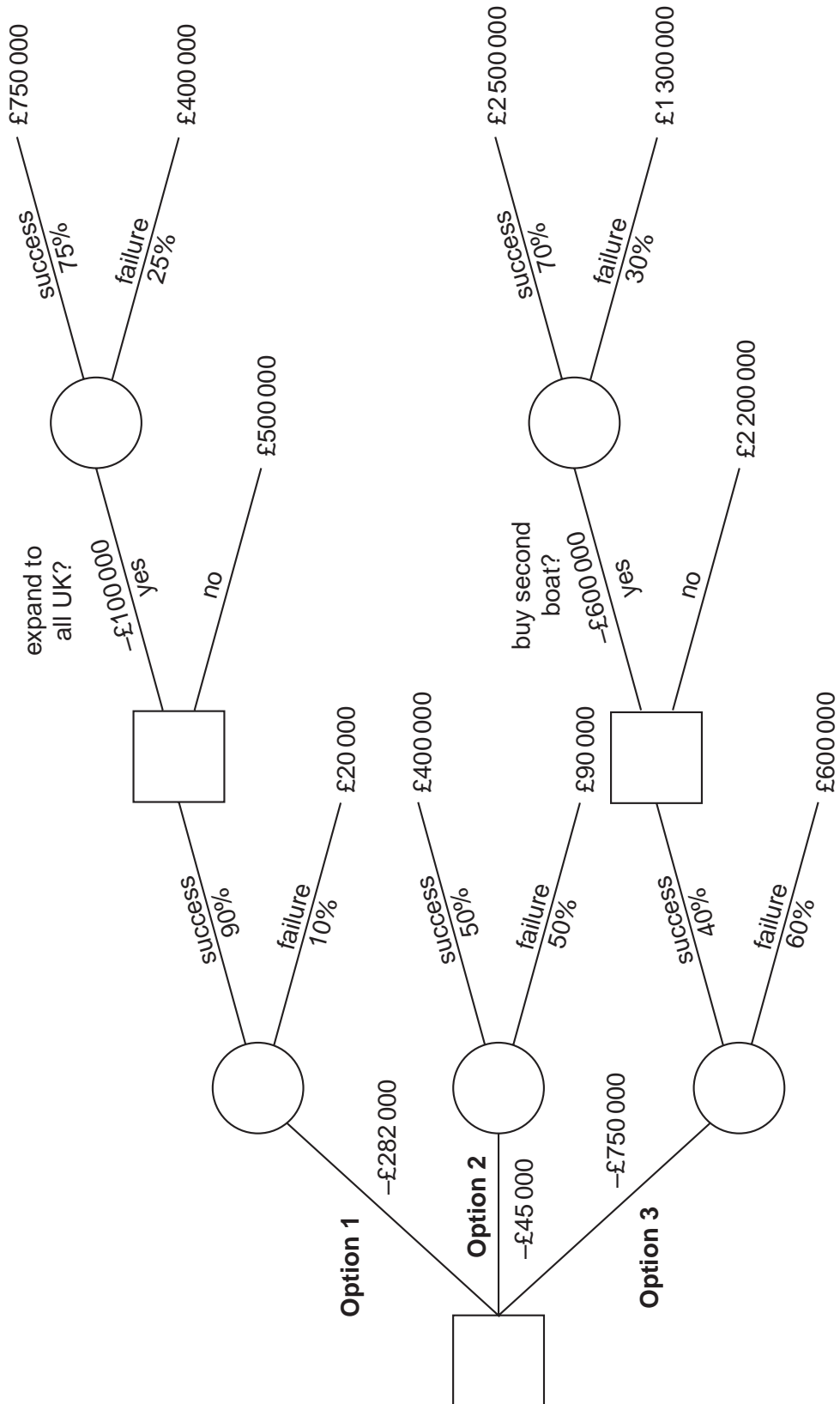
(ii) ARR
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..... [2]

[Total: 10]

4 Erica consulted a business advisor about the various options facing *EETL*. They put together a decision tree to help assess the situation, including the possible future expansion of Options One and Three.

(a) Complete the decision tree below.

[8]



5 (a) Explain **three** sources of finance which *EETL* could use should it decide to expand.

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 - 2.
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 - 3.
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- [6]

(b) Explain **four** ways in which the external environment could impact upon *EETL's* **financial** position.

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..... [12]

[Total: 18]

6 (a) Label the **four** quadrants in the Ansoff's Matrix grid below. [4]

(b) Insert **each** of the **three** options available to *EETL* in the correct quadrant. [3]

		Products	
		Existing	New
Markets	Existing	1.	2.
	New	3.	4.

(c) Using both quantitative and qualitative information, recommend and fully justify which option *EETL* should choose.

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