

Candidate forename						Candidate surname					
Centre number						Candidate number					

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
ADVANCED GCE
F248
APPLIED BUSINESS
Strategic Decision-Making

FRIDAY 10 JUNE 2011: Morning
DURATION: 2 hours

SUITABLE FOR VISUALLY IMPAIRED CANDIDATES

Candidates answer on the question paper.

OCR SUPPLIED MATERIALS:

Clean copy case study

OTHER MATERIALS REQUIRED:

A calculator may be used

**A calculator may
be used for this
paper**

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

- **Write your name, centre number and candidate number in the boxes on the first page. Please write clearly and in capital letters.**
- **Use black ink. Pencil may be used for graphs and diagrams only.**
- **Read each question carefully. Make sure you know what you have to do before starting your answer.**
- **Write your answer to each question in the space provided. Additional paper may be used if necessary but you must clearly show your candidate number, centre number and question number(s).**
- **Answer ALL the questions.**

INFORMATION FOR CANDIDATES

- **The number of marks is given in brackets [] at the end of each question or part question.**
- **The total number of marks for this paper is 100.**
- **Your quality of written communication is assessed in the question marked with an asterisk (*).**

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1 (a) What is meant by the term ‘external stakeholder’?

[2]

(b) Identify THREE issues about which two different stakeholder groups of ‘Tysu Ltd’ might hold conflicting views. Explain why there is a conflict over each issue.

Issue 1: _____

Stakeholder conflict _____

Issue 2: _____

Stakeholder conflict: _____

[8]

[Total: 19]

2 'Tysu Ltd' aims to maximise profit and uses break-even analysis to aid its decision-making.

Current data indicates:

- **an average selling price of £180 per tonne of 'SaferSurface';**
- **variable costs of £85 per tonne of 'SaferSurface';**
- **fixed costs of £247 000 for this year.**

(a) What is meant by the term 'business aim'?

[2]

(b) Calculate:

- (i) the level of output 'Tysu Ltd' needs to achieve in order to break-even this year; [2]**

Show your workings:

**Break-even
level of output = _____ tonnes**

- (ii) the profit which 'Tysu Ltd' should make this year if it manages to achieve its target output level of 4 000 tonnes. [3]**

Show your workings:

**Profit at
4 000 tonnes = £ _____**

(c) Describe TWO limitations to a business of using break-even analysis as a decision-making tool.

1. _____

2. _____

_____ **[4]**

[Total: 11]

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3 'Tysu Ltd' uses critical path analysis as part of its production planning.

'Tysu Ltd' has received an order for a 16 tonne batch of 'SaferSurface'. The steps involved in making this 16 tonne batch are given below. The resulting network diagram is on the next page.

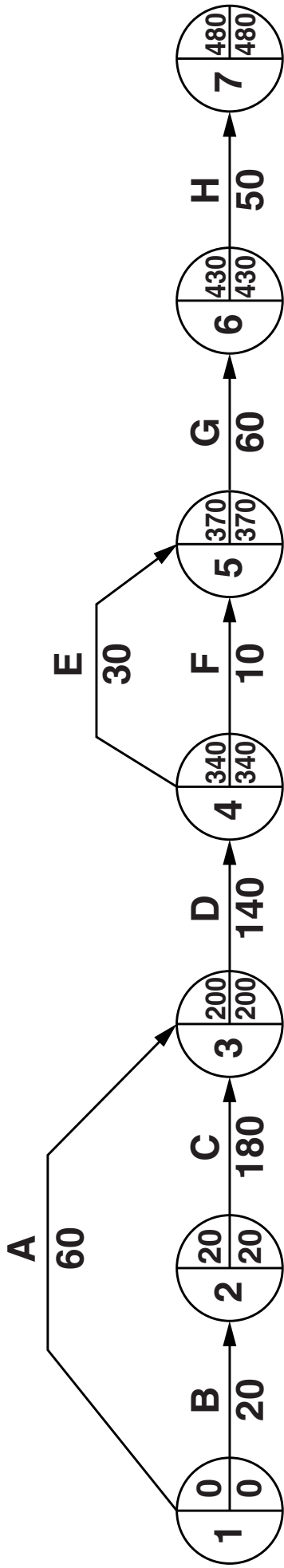
Activity	Task	Duration (minutes)
A	Prepare crumb processor	60
B	Weigh tyres	20
C	Sort tyres	180
D	Load crumb processor	140
E	Add bonding agent	30
F	Add colourant	10
G	Blend aggregate	60
H	Fill storage tanks	50

(a) State TWO benefits to a business of using critical path analysis as a production planning tool.

1. _____

2. _____

_____ **[2]**



(b) Assuming production goes to plan, how many HOURS does it take 'Tysu Ltd' to make this 16 tonne batch of Safersurface?

[2]

Show your workings:

Answer = _____ hours

(c) What is the sequence of activities on the critical path?

[2]

(d) Calculate the total float for activity A.

[2]

Show your workings:

Total float = _____ minutes

[Total: 8]

- 4 Workforce data for ‘Tysu Ltd’s’ production staff over the last three years is given below.**

Workforce Data	2008	2009	2010
Number of production staff employed by ‘Tysu Ltd’	5	7	8
Number of production staff leaving ‘Tysu Ltd’	0	1	3

- (a) What is meant by the term ‘rate of labour turnover’?**

[2]

- (b) Calculate the rate of labour turnover for ‘Tysu Ltd’s’ production staff in 2010.
Give your answer correct to ONE decimal place. [2]**

Show your workings:

**Answer = _____ % correct to
ONE decimal place**

- (c) Explain ONE possible reason why the rate of labour turnover at ‘Tysu Ltd’ is INCREASING.**

[2]

(d) Explain ONE problem which 'Tysu Ltd' could face as a result of a high rate of labour turnover amongst its production staff.

[2]

[Total: 8]

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- 5 'Tysu Ltd' has done its best to estimate the likely net cash-flow for each of the three options under consideration. In order to compare the expected returns for each option, it wishes to use a discount rate of 10% per annum.

Year	Discount factor
0	1.00
1	0.91
2	0.83
3	0.75
4	0.68
5	0.62

- (a) Using the discount factors given above, complete the net present value table for **ALL THREE OF THE OPTIONS** under consideration. [9]

Net present value table						
	Option 1 Target Europe		Option 2 India's Roads		Option 3 Artificial Grass	
Year	Estimated net cash flow	Present value	Estimated net cash flow	Present value	Estimated net cash flow	Present value
0	(£300 000)	(£300 000)	(£1 200 000)	(£1 200 000)	(£500 000)	(£500 000)
1	£60 000		£50 000		£100 000	
2	£240 000		£150 000		£200 000	
3	£240 000		£900 000		£400 000	
4	£240 000		£1 200 000		£450 000	
NPV	Option 1 = £		Option 2 = £		Option 3 = £	

(b) Explain TWO changes in EXTERNAL ECONOMIC CONDITIONS which might affect the accuracy of 'Tysu Ltd's' cash flow predictions.

1. _____

2. _____

_____ **[4]**

[Total: 13]

- 6 (a) 'Tysu Ltd' needs to decide which option to take. Explain how Ansoff's Matrix could help 'Tysu Ltd' with its strategic decision-making.**

[illegible]

Using both quantitative and qualitative information, recommend and justify which of the three options 'Tysu Ltd' should choose.

[illegible]

[illegible]

[illegible]

[20]

[Total: 24]

7 Whichever option 'Tysu Ltd' chooses, contingency planning will need to take place.

(a) What is contingency planning?

[3]

(b) Evaluate the benefits and drawbacks to 'Tysu Ltd' of making contingency planning a priority.

[illegible]

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