OXFORD CAMBRIDGE AND RSA EXAMINATIONS

A2 GCE

F248/01

APPLIED BUSINESS

Strategic Decision-Making

WEDNESDAY 18 JANUARY 2012: 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

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. HB pencil may be used for graphs and diagrams only.**

- **Answer <u>ALL</u> the questions.**

- **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).**

INFORMATION FOR CANDIDATES

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

- **Your Quality of Written Communication will be assessed in questions marked with an asterisk (*).**

- **The total number of marks for this paper is <u>100</u>.**

1 **Pete and Simon have not taken the time to agree a business aim for 'Fairburn Farm'.**

(a) State TWO benefits to an organisation of having an agreed business aim.

1. _____

_____

2. _____

_____ **[2]**

(b) 'Fairburn Farm' has two groups of internal stakeholders – the owners and the farm labourers.

Identify and explain THREE issues over which the OWNERS and the FARM LABOURERS are likely to hold conflicting views.

1: _____

Explanation: _____

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2: _____

Explanation: _____

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3: _____

Explanation: _____

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_____ **[9]**

(c) List TWO external stakeholders of 'Fairburn Farm'.

1. _____

2. _____ **[2]**

[Total: 13]

Table 1 (For Question 2)

'FAIRBURN FARM' PERFORMANCE DATA 2011		
	SOFT FRUIT	ORCHARD FRUIT
Total output of fruit in kilograms	200 000	500 000
Fruit wasted in kilograms	50 000	50 000
Total number of hours of labour time	18 000	16 000
Number of permanent staff	3	5
Number of temporary staff	18	9
Number of permanent staff leaving	2	0
Rate of staff absenteeism	27%	15%

Table 2 (For Question 2)

MEASURE	FORMULA
Labour productivity	$\dfrac{\text{Total output}}{\text{Number of labour hours}}$
Wastage rate	$\dfrac{\text{Wastage}}{\text{Total output}} \times 100$
Rate of labour turnover	$\dfrac{\text{Number of staff leaving per annum}}{\text{Number of staff}} \times 100$

2 (a) The rate of absenteeism of farm labourers at 'Fairburn Farm' is high.

   (i) Explain ONE problem which 'Fairburn Farm' is likely to face as a result of high rates of absenteeism amongst its staff.

   _____

   _____

   _____

   _____ **[2]**

   (ii) Explain TWO ways in which Pete and Simon might be able to lower the rate of absenteeism at 'Fairburn Farm'.

   1. _____

   _____

   _____

   _____

   2. _____

   _____

   _____

   _____ **[4]**

(b) Using the information given in TABLES 1 AND 2, calculate the 6 measures of personnel effectiveness for soft fruit production at (i) – (iii) in the table below. Show your workings. [6]

MEASURE	'FAIRBURN FARM' 2011		WORKINGS
	ORCHARD FRUIT PRODUCTION	SOFT FRUIT PRODUCTION	
LABOUR PRODUCTIVITY	31 kg per hour	(i) kg per hour	
WASTAGE RATE	10%	(ii) %	
RATE OF LABOUR TURNOVER OF PERMANENT STAFF	0%	(iii) %	

8

(c)* **Your Quality of Written Communication will be taken into account.**

Evaluate likely reasons for the differences in personnel effectiveness between the soft fruit staff and orchard fruit staff at 'Fairburn Farm'.

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_____ **[14]**

[Total: 26]

3   Pete is currently investigating whether critical path analysis could improve operations at 'Fairburn Farm'.

(a) What is critical path analysis?

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_____

_____

_____ [2]

(b) State TWO benefits to a business of using critical path analysis.

1. _____

_____

2. _____

_____ [2]

(c) Pete forecasts the following figures for 2012's production.

Income from soft fruit production £330 000
Income from orchard fruit production £450 000
Commission payment to Fruitline Ltd £430 500
Labour costs £226 500
Other costs £127 500

Calculate how much PROFIT OR LOSS 'Fairburn Farm' will make if Pete's forecasts prove to be accurate. [4]

Show your workings:

£ _____

[Total: 8]

14

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4 Simon is busy arranging the 'bring and buy' sale which he is organising in aid of the local youth club. He is trying to decide whether to hold the sale indoors or outdoors.

(a) Complete the decision tree on the facing page by entering the appropriate value into each of the nodes and boxes labelled a–g. A box for your workings is provided below. [7]

Workings:

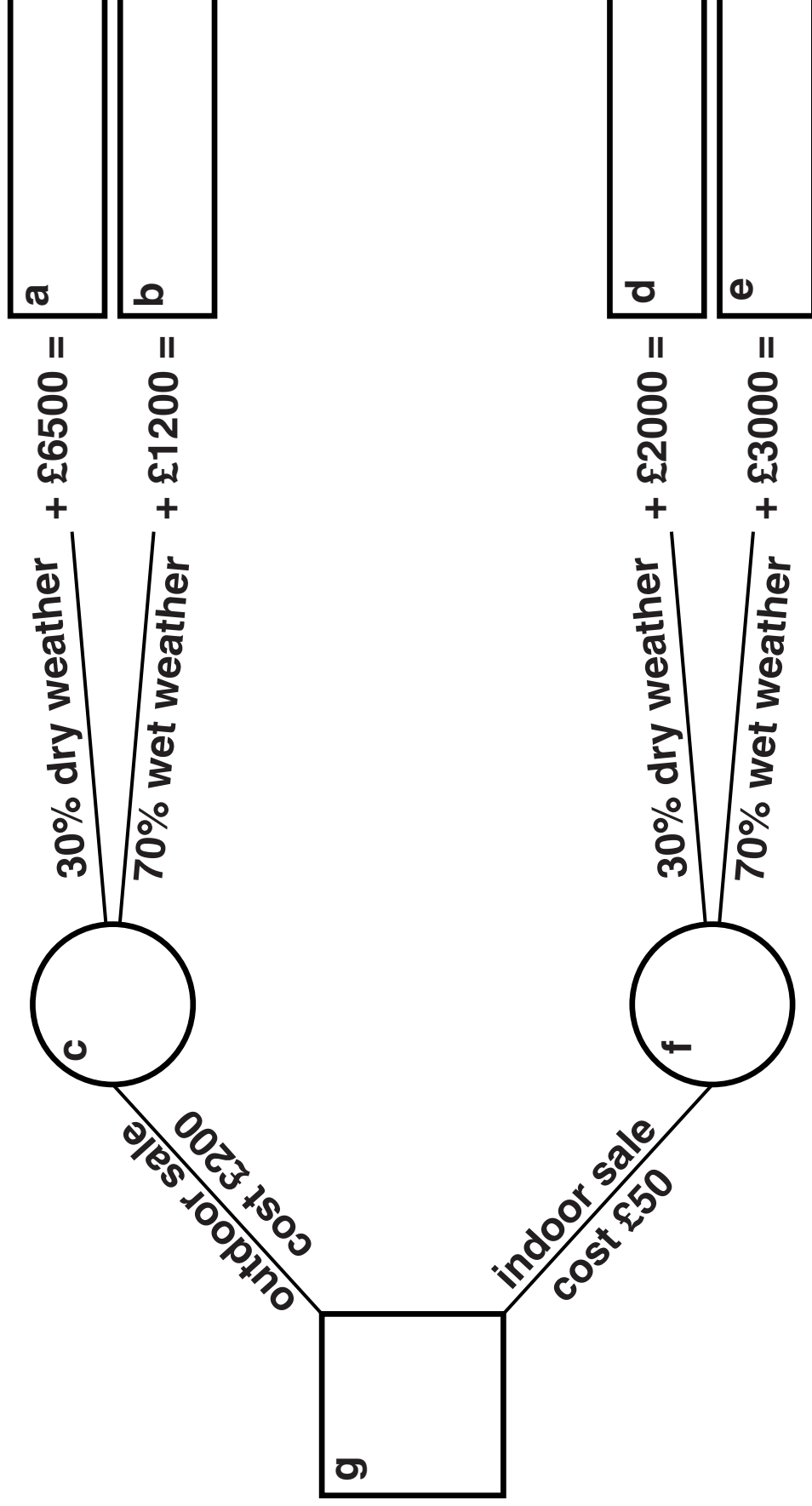(b) According to the decision tree, where should the 'bring and buy' sale be held?

_____ [1]

(c) What is a contingency plan?

_____

_____

_____

_____ [2]

[Total: 10]

EXPECTED VALUE

30% dry weather + £6500 = [a]

70% wet weather + £1200 = [b]

30% dry weather + £2000 = [d]

70% wet weather + £3000 = [e]

(c)

(f)

outdoor sale
cost £200

indoor sale
cost £50

[g]

5 Pete and Simon are considering three options to secure the future of 'Fairburn Farm'.

(a) What is meant by the term 'strategic decision'?

_____

_____

_____

_____ **[2]**

(b) In which of Ansoff's positioning strategies would 'Fairburn Farm' be involved if it took OPTION 3 – LUXURY HOLIDAY CARAVANS?

_____ **[1]**

(c) Evaluate the usefulness of Ansoff's Matrix to Pete and Simon when making strategic decisions for 'Fairburn Farm'.

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_____ **[8]**

[Total: 11]

6 The estimated net cash-flow figures for the three options under consideration at 'Fairburn Farm' are given below.

YEAR	NET CASH-FLOW (£)		
	OPTION 1 CHRISTMAS TREES	OPTION 2 GOLF RANGE	OPTION 3 LUXURY HOLIDAY CARAVANS
0	(900 000)	(640 000)	(460 000)
1	0	35 000	20 000
2	50 000	110 000	80 000
3	100 000	160 000	90 000
4	150 000	210 000	95 000
5	200 000	250 000	100 000
6	200 000	250 000	100 000
7	200 000	250 000	100 000

(a) What is meant by the term 'payback period'?

_____

_____

_____

_____ [2]

(b) Calculate the payback period for each of the THREE options. Show your workings. [6]

OPTION	WORKINGS	PAYBACK PERIOD
1		
2		
3		

(c) What is meant by the term 'net present value'?

_____

_____

_____

_____ **[2]**

(d) Explain ONE reason why NET PRESENT VALUE calculations might be more useful to 'Fairburn Farm' than PAYBACK PERIOD figures.

_____

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_____ **[2]**

[Total: 12]

7   **Using BOTH quantitative and qualitative information, recommend and fully justify which of the three strategic options would best secure the future of 'Fairburn Farm'.**

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_____ **[20]**