

Surname	Centre Number	Candidate Number
Other Names		2



**GCE A level**

1605/01

**APPLIED BUSINESS**

**UNIT ABUS 5**

**Paper version of on-screen assessment**

P.M. MONDAY, 14 January 2013

2 hours

**INSTRUCTIONS TO CANDIDATES**

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Candidates are required to answer **any two** of the following Sections:

**Section A Decision-making and the Marketing function. Pages 4 - 11.**

**Section B Decision-making and the Production function. Pages 12 - 16.**

**Section C Decision-making and the Finance function. Pages 18 - 25.**

**Section D Other decision-making tools. Pages 26 - 31.**

All questions in **both** your chosen Sections are compulsory.

The context for all Sections is set in the Introduction.

**INFORMATION FOR CANDIDATES**

**Quality of Written Communication**

This will be assessed in questions:

Section A question 3

Section B question 5

Section C question 6

Section D question 5

**Calculators may be used**

SECTION	For Examiner's use only	
	Question	Mark Awarded
	1	
	2	
	3	
	4	
	5	
	6	
	1	
	2	
	3	
	4	
	5	
	6	
	<b>Total</b>	

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## INTRODUCTION

### J BARKER plc



The following information applies to **all** Sections.

*J Barker plc (JB plc)* is a UK 'high street' company that sells in its stores a range of products and services. These include men's and women's clothing and footwear, household goods, furniture, food and wine. There is some 'in-house' production of food and drinks sold in store restaurants.



*JB plc's* Head Office is in your local area, and it has a number of stores in cities and large towns throughout England and Wales. *JB plc* has close links with a number of companies, including *PlayTek Ltd*, a supplier of electrical items.

You are to undertake work experience at the company's Head Office.



*Hello. Thanks for joining us on work experience, and I hope you enjoy your time with us. I'm Jo Jenkins and I'm employed as the company's Liaison Officer. This means that I'm the first point of contact here at Head Office for our store employees.*

*We'll shortly arrange a full induction for you, though I expect you already know a little about our company. Because our stores are located in out-of-town shopping centres or on the high street, in some ways we're similar to businesses such as Marks & Spencers, Tesco and House of Fraser, though as yet we're nowhere near as large as those companies.*

*One of my jobs at JB plc Head Office is to look after our work experience people. If you've any questions or concerns about your work with us, please let me know and I'll see how I can help.*

**Section A**

**Decision-making and the Marketing function**



*We plan to open a number of new “Games & Gadgets” electronics stores. We’re targeting children and teenagers and we’ll open one store first, in Wolverhampton, to see how things go. Here at Head Office, I’ve collected some statistics about the population in Wolverhampton, and I’d like you to help me analyse this information.*

1. The products in the Games & Gadgets store will be targeted at children and teenagers.

Explain whether or not random sampling will be a suitable method for collecting relevant information to judge the likely success of this new store. [4]

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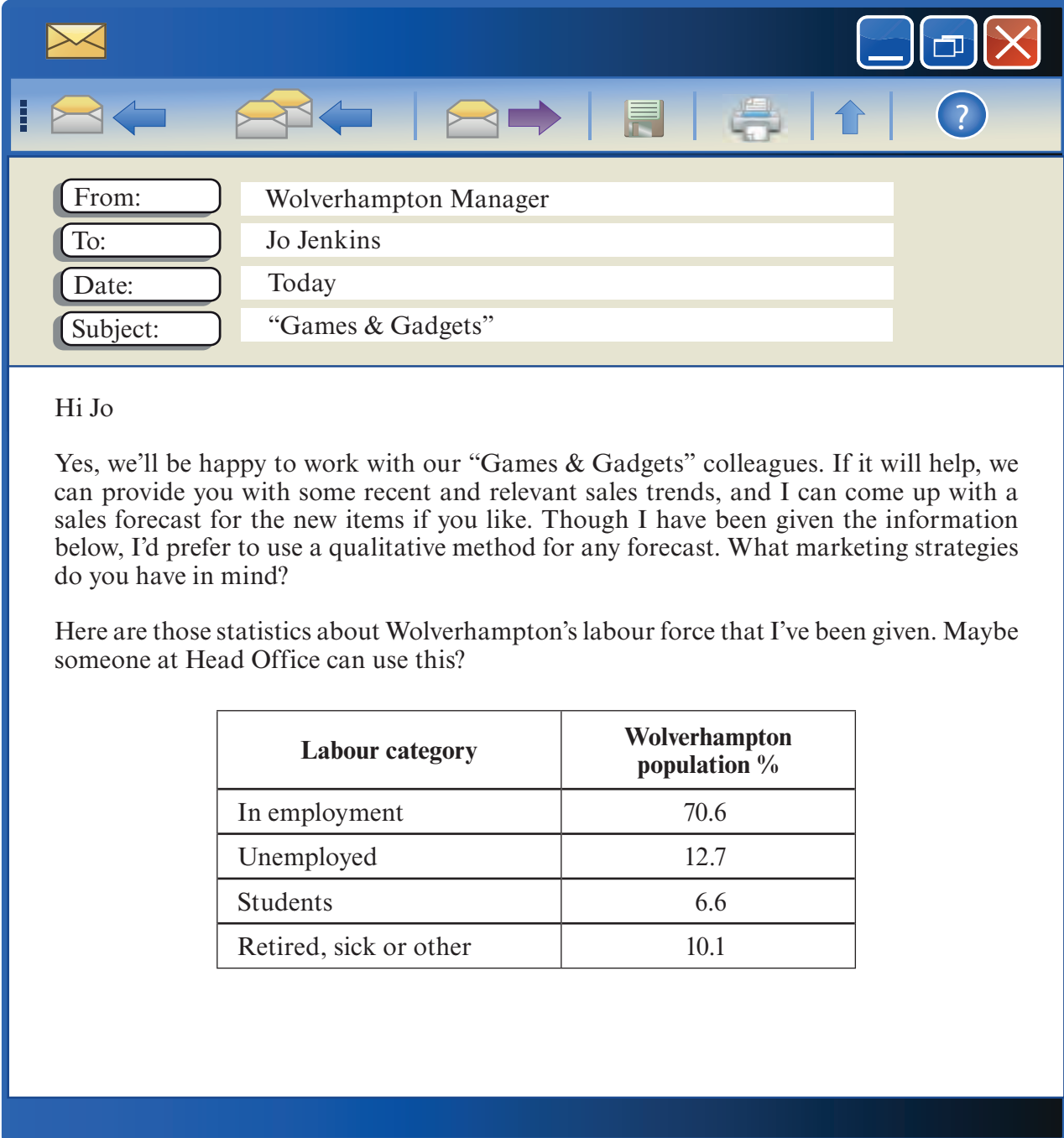
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4. Jo has received the following email from the Manager of the current Wolverhampton *JB plc* store, concerning the setting up of the new Games & Gadgets store.



The screenshot shows an email client window with a blue header bar containing icons for mail, window management, and help. Below the header is a toolbar with icons for back, forward, print, and other actions. The email header fields are as follows:

From:	Wolverhampton Manager
To:	Jo Jenkins
Date:	Today
Subject:	"Games & Gadgets"

The email body contains the following text:

Hi Jo

Yes, we'll be happy to work with our "Games & Gadgets" colleagues. If it will help, we can provide you with some recent and relevant sales trends, and I can come up with a sales forecast for the new items if you like. Though I have been given the information below, I'd prefer to use a qualitative method for any forecast. What marketing strategies do you have in mind?

Here are those statistics about Wolverhampton's labour force that I've been given. Maybe someone at Head Office can use this?

Labour category	Wolverhampton population %
In employment	70.6
Unemployed	12.7
Students	6.6
Retired, sick or other	10.1



Describe what the following terms mean in the email.

- “relevant sales trends”

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- “sales forecast for the new items”

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- “qualitative method”

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- “marketing strategies”

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5. To what extent could the following help *JB plc* when making decisions about the proposed Games & Gadgets store?

(a) Product life cycle analysis, when choosing **which products to sell** in this store. [6]

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(b) The Wolverhampton labour statistics given in question 4 (email), when deciding **how to promote this new store**. [6]

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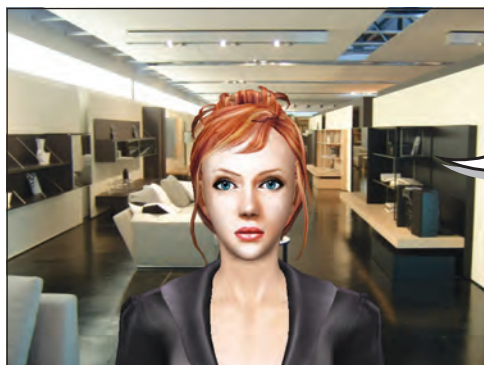
**Total 40 marks**

**END OF SECTION A**

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**Section B**

**Decision-making and the Production function**



*At present some of our larger stores sell electronic items, including computers and software. We hope to increase these sales by opening a number of new “Games & Gadgets” stores. We’ll buy in a number of these products from a company called PlayTek Ltd. This business has just introduced a new product range, which we’re convinced will sell well. We rely on companies such as PlayTek Ltd to supply us with good quality products.*

1. Both *PlayTek Ltd* and *JB plc* value stocks using the Average Cost (AVCO) method.

Suggest **two** advantages to these businesses of using this method of stock valuation.

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- 5. *PlayTek Ltd* is an electronics manufacturer. A number of other electronics manufacturers are located close to each other in the same area as *PlayTek Ltd*.

Assess the value to *PlayTek Ltd* of being located in an area containing a number of other electronics manufacturers. [6]

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**Section C****Decision-making and the Finance function**

*Some of the food and drink in our store restaurants is bought in from suppliers, though we do prepare a lot of food in our kitchens. We have a range of food and drinks we call "Freshly Prepared", which is very popular with our customers. The stores send us their sales and other figures. With my accounting background, I see some of the stores' financial accounts. I'll show you some, to see what you make of them.*

1. Jo and her Head Office colleagues calculate labour and materials variances for *JB plc* restaurants. Jo has been given the following information on the Wolverhampton restaurant.
  - Labour rate variance                      £56.87 adverse
  - Labour efficiency variance                £32.02 adverse

(a) Calculate the total labour cost variance for this restaurant.

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(b) Suggest **one** reason for the labour rate variance and **one** reason for the labour efficiency variance.

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2. *JB plc* has a standard costing system to control the amounts of ingredients that restaurants buy and use. The following is a cost card for the labour and ingredients (materials) used to make flapjacks.

<b><i>JB plc: Standard cost card for flapjacks</i></b>		
<b>Standard quantity per batch:</b>	<b>20 flapjacks</b>	
<b>Standard cost per batch as below:</b>	<b>£4.20</b>	
<b><i>Item</i></b>	<b><i>Amount</i></b>	<b><i>Cost</i></b>
Rolled oats	1 kg	£1.20
Butter, sugar, syrup mix	1.2 kg	£3.00 (£2.50 per kg)

Last month at the company's Wolverhampton restaurant, 800 flapjacks (40 batches) were made using the following amounts of ingredients (materials).

<b>Ingredients</b>	<b>Quantity</b>	<b>Cost</b>
Rolled oats	42 kg	£48.30
Butter, sugar, syrup mix	50 kg	£126.00

Calculate the following variances for this product.

- Materials **price** variance

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- Materials **usage** variance

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- **Total** materials variance

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3. Using the information provided in questions 1, 2 and your responses, analyse the variances and suggest what *JB plc* could do in this situation. Justify the suggestions you make. [6]

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4. The following items appear in the Balance Sheet for *JB plc* but do not appear in an individual store's financial accounts. Outline the meaning of each item.

- Non-current liabilities (Long-term liabilities) [2]

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- Retained earnings [2]

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- Other reserves [2]

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5. Jo has given you the net assets summary below for two of *JB plc's* stores.

	Wolverhampton		Stoke	
	2012 (£000)	2011 (£000)	2012 (£000)	2011 (£000)
<b>Non-current assets (Fixed assets)</b>	<b>140</b>	<b>125</b>	<b>86</b>	<b>84</b>
<b>Current assets</b>				
Inventories (Stocks)	276	321	173	198
Trade receivables (Debtors)	4	4	2	1
Cash	3	5	3	3
<b>Current liabilities</b>	<b>(78)</b>	<b>(56)</b>	<b>(47)</b>	<b>(48)</b>
<b>Net current assets</b>	<b>205</b>	<b>274</b>	<b>131</b>	<b>154</b>
<b>Net assets</b>	<b>345</b>	<b>399</b>	<b>217</b>	<b>238</b>

Calculate the following ratios from the above information, to 2 places of decimals:

- Acid Test

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- Current

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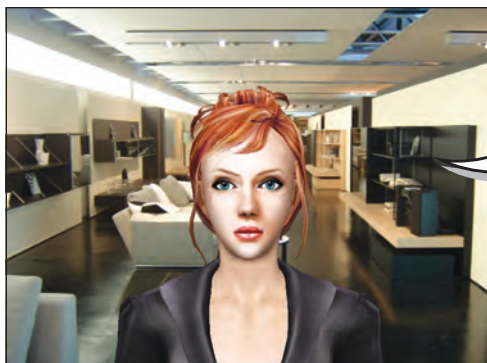
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**Section D****Other decision-making tools**

*At Head Office, we're planning to introduce a monthly book of recipes we use in our restaurants for customers, which we'll sell in the stores. We've decided to call it "Meals the JB way", but we haven't decided on the selling price. We will print the recipe books "in-house" at Head Office, which means we have to invest in a new printer and plan this project very carefully. I have some information I'd like you to check.*

1. Jo has been given the following estimates for "Meals the JB way".

**Option A    Expected selling price:    £1.25**

Expected weekly sales	Probability of making these sales
2 500	0.20
1 800	0.25
1 600	0.25
1 200	0.30

**Option B    Expected selling price:    £1.00**

Expected weekly sales	Probability of making these sales
2 500	0.40
1 800	0.35
1 600	0.20
1 200	0.05

The book of recipes is expected to cost 60p per copy to print.

Calculate for Option A **and** Option B the expected

(a) total weekly sales (in units)

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(b) total weekly profit

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2. If the “*Meals the JB way*” project goes ahead, *JB plc* will link the selling price of the recipe book to a fixed-base index. Jo is familiar with one national index, the Consumer Prices Index (CPI).

Outline the meaning of

- fixed-base index [2]

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- Consumer Prices Index [2]

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