

General Certificate of Education
June 2003
Advanced Level Examination



BUSINESS STUDIES
Unit 5

BU5W

Wednesday 11 June 2003 Morning Session

In addition to this paper you will require:

a 12-page answer book.

You may use a calculator.

Time allowed: 1 hour 30 minutes

Instructions

- Use blue or black ink or ball-point pen.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is BU5W.
- Answer the **compulsory** question from **Section A** and **one** question from **Section B**.
- Do all rough work in the answer book. Cross through any work you do not want marked.

Information

- The maximum mark for this paper is 84.
- Mark allocations are shown in brackets.
- You will be assessed on your ability to use an appropriate form and style of writing, to organise relevant information clearly and coherently, and to use specialist vocabulary, where appropriate. The degree of legibility of your handwriting and the level of accuracy of your spelling, punctuation and grammar will also be taken into account.
- Up to 4 marks will be awarded for the quality of your written communication.

SECTION A

Answer this question. You should spend up to 50 minutes on this Section.

1**Total for this question: 40 marks****BusinessEye**

BusinessEye (BE) is a national pressure group that produces an annual league table assessing the actions of UK firms in relation to their stakeholders.

Each firm is awarded a score between 0 and 10, rating its behaviour on the basis of whether its stakeholders in general have benefited from its activities (where 0 is “very poor behaviour”, 5 is “acceptable behaviour” and 10 is “excellent behaviour”).

One of the firms being investigated this year is the multinational oil company, Valiant plc. Valiant plc is involved in the extraction, refining, distribution and sale of oil and petrol. Last year, for the first time ever, the company produced an audit of its activities in relation to its different stakeholder groups. Following this, Valiant plc is claiming in its publicity material that it is “stakeholder-friendly” and that its stakeholders benefit greatly from their association with the firm.

You are an analyst for BusinessEye. Using the information below, write a report to your manager outlining the case for and against Valiant plc’s claim to be a “stakeholder-friendly” organisation and recommending a score for the company, between 0 and 10, to include in BusinessEye’s league table. Justify your score.

(2 marks are included for appropriate report format.)

APPENDIX A**Valiant plc Financial Information (for financial year ending 31 May)**

	2002	2003
Change in annual turnover	+8 %	+10 %
Operating profits	£800m	£900m
Profits generated from customers new this year	£50m	£75m
Donations to charities	£0.6m	£0.8m
Donations to political parties	£2.5m	£3.75m
Investment in pollution controls	£5m	£7.5m
Average payment terms to creditors	90 days	75 days
Index of retail price of petrol (industry average = 100)	96	98
Share Price*	180 pence	240 pence
Dividend Yield*	6.7 %	6.6 %

* as at 1st May

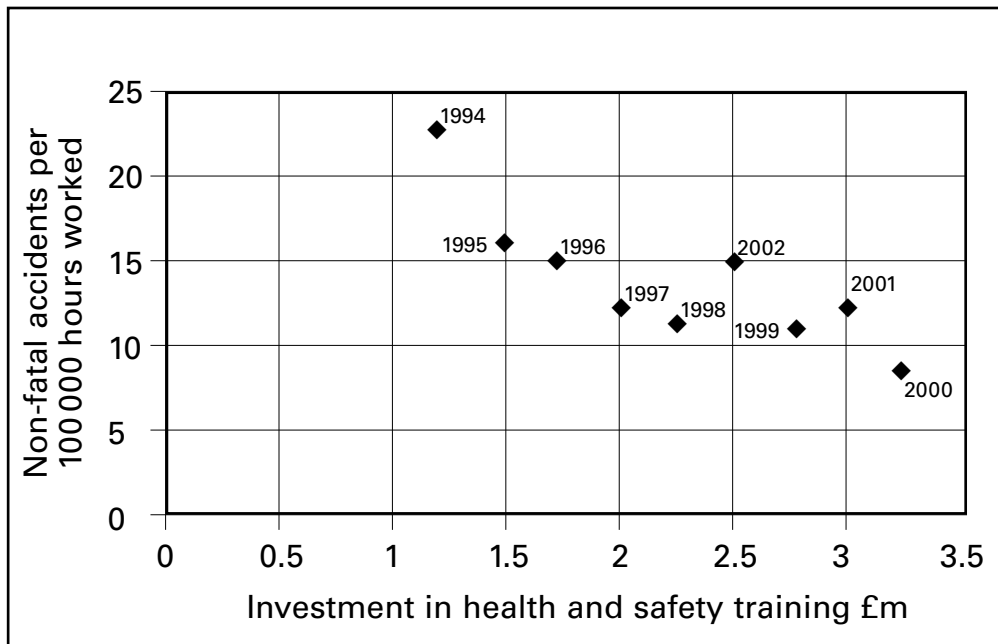
APPENDIX B

Index of average wages at Valiant plc in selected regions, as at May 2003
(where the average wage for each country has a base value of 100)

UK	138
Africa	115
Far East	109
South America	112

APPENDIX C

Health and safety training investment and non-fatal accidents at Valiant plc



APPENDIX D

Employee data at Valiant plc, as at 31 May

	2002	2003
Male/female ratio at senior management levels	90:10	88:12
Percentage of plants worldwide with Works Councils	75 %	70 %
Number of staff dismissed for offering bribes	3	1
Number of employees	86 000	80 000

TURN OVER FOR APPENDIX E AND SECTION B

Turn over ►

**Environmental factors for Valiant plc and the industry as a whole
Changes between May 2002 and May 2003**

	Valiant plc	Industry
Pollution emissions during production	-3.1 %	-2.6 %
Total waste produced	-2.5 %	-2.1 %
Hazardous waste produced	+1.4 %	-0.7 %
Oil spills	-10 %	-5 %
Change in number of fines imposed for negative impact on the environment	-9	n/a
Amount paid out in environmental fines	+£420 000	n/a

SECTION B

Answer **one** question from this Section.

- 2 Ulto plc is a well-known manufacturer of sports cars. The company has just discovered a safety problem with a new model that has been on sale in the UK for several weeks. The problem is due to a design fault. Discuss the possible consequences of this discovery for the firm. *(40 marks)*

- 3 Between 1999 and 2002 the FTSE 100 (an index of UK share prices) fell by over 40 %. Consider the possible consequences for UK retailers of a major fall in the general level of share prices. *(40 marks)*

- 4 Wendels plc owns a chain of five large retail furniture stores in the north-west of the UK. Its market share has been falling in the last few months. The company is now considering selling its products over the internet in addition to selling in its stores. To what extent is this strategy advisable? *(40 marks)*

- 5 Sansy plc is a leading producer of luxury ice cream, selling to shops all over the UK. The cost of its main ingredient, milk, has fallen significantly in recent weeks. Discuss whether the firm should pass on this fall in costs to its customers in the form of lower prices. *(40 marks)*

END OF QUESTIONS