

Centre Number						Candidate Number				
Surname										
Other Names										
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
TOTAL	



General Certificate of Education
Advanced Subsidiary Examination
June 2009

Business Studies

BUSS2

Unit 2 Managing a Business

Thursday 21 May 2009 9.00 am to 10.30 am

For this paper you must have:

- a calculator.

Time allowed

- 1 hour 30 minutes

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Answers written in margins or on blank pages will not be marked.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80.
- Questions 1(c), 1(d), 2(c) and 2(d) should be answered in continuous prose. In these questions you will be marked on your ability to:
 - use good English
 - organise information clearly
 - use specialist vocabulary where appropriate.



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BUSS2

Answer **all** questions in the spaces provided.

1 Read the **case study** below and then answer the questions that follow.

Downhill business looks up-market

Two Seasons Ltd was originally a single store in Northampton selling sports equipment and clothing. As the business grew, it focused more on winter sports equipment. By February 2008, the company had 13 stores in towns across the Midlands.

Two Seasons Ltd's Managing Director, Stuart Roberts, has a simple business model. The company's stores are located on, or just off, high streets in towns. It targets middle-market customers for sports clothing, rather than the high volume, low price segment of the market which is dominated by giant retailers such as JJB Sports. As well as sports equipment and clothing, *Two Seasons Ltd* sells a range of urban streetwear. The company claims to be the only retailer in the UK to sell this combination of products and uses it as a unique selling point (USP). *Two Seasons Ltd* offers outstanding customer service and its customers frequently recommend it to friends.

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Figure 1: Two Seasons Ltd, key financial data

Average annual growth in sales turnover	30%
Annual net profit margin over past five years	1%–5%

Figure 2: Two Seasons Ltd, forecasts for expansion plans

Forecast turnover 2007–2008 financial year	£10.4 million
Forecast net profits 2007–2008 financial year	£275 000
Total number of new stores planned for 2008–2011	10–12

The company has recently opened a new store in the Westfield shopping centre in Derby. This is a smart (and expensive) retail environment and up-market from the company's usual locations. Stuart Roberts admits that the Derby shop is very different in that it is an expensive location. "In the first few weeks, we were getting 7000 people a week coming through the door, compared to our normal 2000 to 3000." However, success has come at a price. The cost of opening the Derby store was £260 000, whereas a new store in a cheaper location in Birmingham was opened at a cost of only £30 000.

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The success of the new store in Derby has persuaded the company to develop further expansion plans. These plans will mean opening new stores in shopping centres such as Derby. This is expensive but should increase revenues. On the basis of the Derby store, opening four new stores would cost approximately £1 million and, despite the company being profitable over the past five years, this could mean borrowing large amounts from the bank.

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Source: ANDREW CAVE, Ski shop faces an uphill challenge, *Daily Telegraph*, 5 February 2008



1 (a) Calculate the net profit margin that *Two Seasons Ltd* would have forecast for 2007–2008 (**Figure 2**).

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ANSWER IN THE SPACES PROVIDED**

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2 Read the **case study** below and then answer the questions that follow.

Just Desserts Ltd

Just Desserts Ltd manufactures a range of luxury desserts in Chester. The business was established by Martha Barnes and is famous for its traditionally-made products such as bread and butter pudding. The company's slogan, 'Desserts like granny made', emphasises its image of tradition and quality. Over recent years, the company has extended its range of products based on its ongoing programme of primary market research. 5

Initially, the company grew slowly. However, over the past two to three years it has won contracts to supply Marks & Spencer, Booths and Waitrose with its products. Each retailer is supplied with its own exclusive range of desserts (to suit their individual needs) and this has increased the complexity of the factory's operations. 10
The factory's production levels and workforce have expanded since winning the new contracts.

Expansion has meant that the company's labour force has increased from 70 in 2007 to 110 in 2008. As a result, average spans of control in the company have widened and some managers are over-worked. Martha is reluctant to delegate authority, 15
preferring to make most decisions with the support of two senior employees. The design of junior employees' jobs means that they make little or no contribution to decision-making.

In 2007, the company manufactured 5.95 million desserts; in 2008, this figure rose to 8.47 million. This increase in production has meant that existing suppliers are 20
unable to provide all *Just Desserts Ltd*'s needs and it has had to seek a new supplier for ingredients who can offer high quality products. Martha is keen to sign a contract with a large supplier in the South of England rather than with a much smaller, local supplier.

Just Desserts Ltd's cash position has weakened since 2007, therefore, Martha has 25
postponed a number of training events that employees were to attend. One of the senior managers has questioned this decision, but Martha is inflexible. "We are growing quickly, and therefore, we must manage our cash carefully. I agree our existing employees' skills are an important part of our success but recruiting the right people is the best way to improve the effectiveness of *Just Desserts Ltd*'s workforce." 30



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END OF QUESTIONS

