



Rewarding Learning  
ADVANCED SUBSIDIARY (AS)  
General Certificate of Education  
January 2009

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## Business Studies

Assessment Unit AS 2

*assessing*

Module 2: People in Organisations,  
and Accounting and Finance

[AST21]

THURSDAY 8 JANUARY, MORNING

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### TIME

1 hour.

### INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.  
Answer **both** questions.

### INFORMATION FOR CANDIDATES

The total mark for this paper is 50. You will be assessed on the quality of written communication demonstrated in your response to all questions except **2(a)(ii)**.  
Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

### ADVICE TO CANDIDATES

You are advised to take account of the marks for each part question in allocating the available examination time.

- 1 Study the information below and answer the questions that follow.

### **Decentralisation and Fair Dismissal**

Lisa West is the owner of Garmentz, a chain of up-market clothes shops. She founded the business six years ago with a small store in her home town of Cookstown. By purchasing only from reputable designers and manufacturers, Lisa's business was highly profitable right from the outset and she quickly opened five similar stores across Northern Ireland. Last year she expanded further by opening stores in Dublin and Galway.

From her Head Office in Cookstown, Lisa orders stock and arranges deliveries for the entire chain. At the moment, she operates a centralised business. Individual store managers are required to consult Lisa before proceeding with any new ideas and all expenditure must be authorised by her.

However, with increased competition in the marketplace, Lisa is finding that she does not have as much leisure time as she would like. Consequently, she is planning to decentralise all decision making in Garmentz, making each store manager entirely responsible for their own shop.

Although she is convinced that decentralisation will bring many benefits, Lisa does have some concerns about the plan. In particular, a problem has developed concerning the Newry store. Lisa has just discovered that Sean Freud, the recently appointed store manager, lied about his qualifications on his application form. The truth emerged when she became aware that he did not understand some basic marketing terms which are essential for the role. Lisa wants to dismiss Sean but needs to ensure that his dismissal would be fair.

- (a) Explain the possible reasons for which an employee may be fairly dismissed in a business such as Garmentz. [10]
- (b) Discuss the advantages and disadvantages of Lisa's plan to decentralise Garmentz. [15]

2 Study the information below and answer the questions that follow.

### Balance Sheet and Budgetary Control

Alan McClaren is the owner of Craftyman, a small arts and crafts shop which started trading on 1st January 2008. He rents premises near the town centre and employs two part-time staff. Alan has had a very busy first year trading with little time available to plan ahead or set proper financial targets.

Alan is currently preparing his final accounts for the year ended 31st December 2008. Some of the figures he has gathered have surprised him as this is the first occasion that he has taken time to examine them properly. Financial information relating to Craftyman is shown below in **Table 1**.

**Table 1**

#### Financial information relating to Craftyman for the year ended 31st December 2008

Net Profit	£8,200	Closing Stock	£8,000
Creditors	£12,000	Rent and Rates	£3,000
Cash at Bank	£1,200	Debtors	£4,000
Equipment / Fittings	£20,000	Owner's Capital	£16,000
Advertising expenses	£2,000	Van	£3,000

After talking with some other business owners at an event organised by his local Chamber of Commerce, Alan was advised to set up a budgeting system within Craftyman. He has since investigated what this involves and is impressed by the benefits that it could bring to his business. However, he is not sure if these would be outweighed by the drawbacks of such a system.

**(a) (i)** Explain what is meant by the following terms:

- Debtors
  - Net Profit
- [4]

**(ii)** Select appropriate information from Table 1 and construct a Balance Sheet for Craftyman for the year ended 31st December 2008. Clearly indicate the Working Capital of the business. [6]

**(b)** Discuss whether Alan should introduce a budgeting system into his business. [15]

