

New  
Specification



*Rewarding Learning*

ADVANCED SUBSIDIARY (AS)  
General Certificate of Education  
January 2009

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**Business Studies**  
Assessment Unit AS 2  
*assessing*  
Managing Business Resources  
**[AT121]**



**TUESDAY 13 JANUARY, AFTERNOON**

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**TIME**

1 hour 30 minutes.

**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 80.  
Quality of written communication will be assessed in question 1 parts (d) and (e) and question 2 parts (d) and (e).  
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 question or part question in allocating the available examination time.

1 Study the information below and answer the questions that follow:

### Northbrook Technology Limited

Northbrook Technology Ltd was set up in Northern Ireland in 1999 and is a subsidiary of the Allstate Corporation, the biggest insurance company in the United States. When the organisation first set up in Northern Ireland, it was given a target to employ 250 workers in its first three years. As a new company, Northbrook Technology Ltd faced competition from rivals and needed to develop an innovative programme for recruitment, training, and retention of staff.

To meet this target, a working group was set up, comprising of representatives from different sections of the company. Various ideas came from this group, including the use of a 'work life balance' model that would suit employees who needed to juggle family and work commitments. Northbrook Technology Ltd also began recruiting unemployed non-IT graduates and training them using on-the-job and off-the-job methods. This was to overcome the skills shortage problem in the IT industry.

In addition to external recruitment, Northbrook Technology Ltd also paid attention to retaining existing members of staff. It estimated that the cost of replacing a staff member who left was around £21,000. The company found that an effective way of motivating staff was through job enrichment. One way that this was achieved was by giving employees power and influence in executive committees and working groups such as health and safety and communications.

Northbrook Technology Ltd believes that effective communication channels are vital and it has a highly developed intranet site and e-mail system. A regular newsletter is also circulated amongst staff. The Managing Director holds quarterly meetings and employees are encouraged to ask questions. Additionally, senior managers operate an 'open door policy', use first names and work in the same areas as their staff.

By implementing these measures, Northbrook Technology Ltd exceeded its initial target of 250 employees. Within five years it employed 1200 workers and now has more than 1500. In May 2008, Northbrook Technology Ltd was renamed Allstate Northern Ireland Ltd.

*Source: Adapted from [www.investorsinpeoplechampions.co.uk/CaseStudy](http://www.investorsinpeoplechampions.co.uk/CaseStudy).*

- (a) Explain what is meant by the term 'communication channels'. Illustrate your answer using an example from the case study. [4]
- (b) Explain **two** advantages to Northbrook Technology Ltd of using external recruitment. [4]
- (c) Analyse the barriers to effective communication that Northbrook Technology Ltd may experience. [8]
- (d) Discuss the use of job enrichment as a method of motivating staff within Northbrook Technology Ltd. [12]
- (e) Evaluate the use of off-the-job training within Northbrook Technology Ltd. [12]

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

### Crispy Potatoes Limited

Crispy Potatoes Ltd is a large producer of frozen chips. The company was formed in 1987 and is the clear market leader in the United Kingdom. In order to generate a profit, Crispy Potatoes Ltd needs to cover its costs. These include raw materials such as potatoes and cooking oil, wages and salaries, marketing, rates, and energy to run the plant.

To remain competitive, the management team at Crispy Potatoes Ltd has looked at ways of reducing costs and establishing a more sustainable source of energy. The possibility of opening a new plant with wind turbines and a waste water treatment system is being considered. Despite the cost savings arising from this new plant, the management team is worried about how this investment might put additional pressure on the company's deteriorating cash flow situation. The new plant is expected to cost almost £15 million. Some members of the management team are reluctant to undertake this new investment until the current cash flow situation can be improved.

However, other members of the management team argue, that as long as an effective budgeting system is put in place, the new plant should go ahead. They further support their argument with the estimated costs and revenues of the frozen chips at the proposed new plant, as shown in **Table 1** below.

Table 1: Estimated Costs and Revenues of the frozen chips at the proposed new plant

Selling Price = £1.50 per packet of frozen chips
Variable Cost = 80 pence per packet of frozen chips
Fixed Costs = £700,000 per annum.

- (a) Explain what is meant by the terms 'fixed costs' and 'variable costs'. Illustrate your answer using examples from the case study. [4]
- (b) Calculate the number of packets of frozen chips that Crispy Potatoes Ltd must produce and sell per annum, at the proposed new plant, in order to break-even. [4]
- (c) Analyse possible methods that Crispy Potatoes Ltd might use to improve its cash flow situation. [8]
- (d) Discuss the advantages and disadvantages of budgeting for Crispy Potatoes Ltd. [12]
- (e) Evaluate break-even analysis as a decision making tool for Crispy Potatoes Ltd. [12]

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