

Centre No.						Paper Reference						Surname	Initial(s)	
Candidate No.						6	1	2	4	/	0	1	Signature	

Paper Reference(s)

**6124/01**

# Edexcel GCE

## Business Studies (9076)

### Unit 4: Analysis and Decision Making Advanced

Thursday 14 June 2007 – Morning

Time: 1 hour 15 minutes

Examiner's use only

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Team Leader's use only

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Question Number	Leave Blank
1	
2	
Total	

Materials required for examination  
Nil

Items included with question papers  
Nil

### Instructions to Candidates

In the boxes above, write your centre number, candidate number, the paper reference, your surname and initials, and your signature. The paper reference is shown above. If more than one paper reference is shown, you should write the reference of the paper for which you have been entered. Check that you have the correct question paper. Answer ALL questions. Write your answers in the spaces provided in this question paper.

### Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2). There are 2 questions in this question paper. The total mark for this paper is 84. There are 12 pages in this question paper. Any blank pages are indicated. There are up to 4 marks for the quality of written communication. Calculators may be used. Dictionaries may **not** be used in this examination.

### Advice to Candidates

You must ensure that your answers to parts of the questions are clearly numbered.

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**Answer ALL questions**

- Apex Ltd is a long established manufacturer of flat-pack (self-assembly) bedroom furniture, based in Manchester. It imports some of its materials from both EU and non-EU countries. Its products are sold within the highly competitive furniture market where buyers expect good quality products at reasonable prices. The Managing Director is very aware of the importance of reviewing the production processes so that the company remains competitive and is also considering producing a new range of kitchen furniture to run alongside the current bedroom range.

It is currently facing a choice between two alternative investment projects, each of which will cost £400 000 and will last for five years.

**Project 1:** Introduce new technology including Computer Aided Design (CAD) into its Manchester factory, which will replace many jobs.

**Project 2:** Maintain the current production methods but increase capacity at the Manchester factory.

Investment appraisal for **Project 1** shows:

	<b>Payback Period</b>	<b>Annual Rate of Return (ARR)</b>	<b>Net Present Value (NPV) at 10%</b>
<b>Project 1</b>	3 years	8%	+£51 940

The following information relates to **Project 2**:

<b>Estimated Net Cash Flow</b>		<b>Discount Factors</b>	
<b>Year</b>	<b>Cash flow (£)</b>	<b>Year</b>	<b>10%</b>
0	(400 000)	0	1.000
1	80 000	1	0.909
2	100 000	2	0.826
3	100 000	3	0.751
4	120 000	4	0.683
5	240 000	5	0.621





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(20)



In order to finance either investment, the company may need to take out a bank loan for the £400 000. The following figures were extracted from Apex Ltd's financial statements:

<b>April 2006 – March 2007</b>	<b>£000</b>
Turnover	10 000
Cost of sales	6 000
Profit before interest and tax	1 200
Interest charges	200
Debtors	1 700
Creditors (short term)	500

The current gearing ratio is 15%.

- (b) Using appropriate ratios based on the figures above and any other relevant information, assess the ability of Apex Ltd to finance the repayment of the loan.

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**Q1**

**(Total 40 marks)**

**Please turn over for Question 2**



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2. If Apex Ltd were to go ahead with **Project 1**, the introduction of new technology including CAD into its Manchester factory, it would have to consider substantial job cuts. Union leaders within the firm have been told that the company is also considering other cost-cutting moves in order to remain competitive. The trade union representatives of the production staff at Apex Ltd have raised concerns over the proposed job losses.

(a) Assess how the management of Apex Ltd might respond to the concerns raised by the trade unions.

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(b) Analyse the likely impact of Computer-Aided Design (CAD) on the design process of Apex Ltd's product range.

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**(Total 40 marks)**

**Q2**

**Quality of Written Communication: 4 marks**  
**TOTAL FOR PAPER: 84 MARKS**

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