



## **GCE AS/A level**

1082/01

## **BUSINESS STUDIES**

### **BS2**

A.M. TUESDAY, 24 May 2011

1 $\frac{3}{4}$  hours

### **ADDITIONAL MATERIALS**

In addition to this examination paper, you will need:

- a calculator;
- a 12 page answer book.

### **INSTRUCTIONS TO CANDIDATES**

Use black ink or black ball-point pen.

Answer **all** questions.

Write your answers in the separate answer book provided.

### **INFORMATION FOR CANDIDATES**

The number of marks is given in brackets at the end of each question or part-question.

You are reminded that assessment will take into account the quality of written communication used in answers that involve extended writing (question 3e).

*Answer all the questions.*

### 1. MAZUMA TAKES THE HASSLE OUT OF ACCOUNTING FOR SMALL BUSINESSES

Mazuma is an accountancy practice serving the needs of small businesses, which has grown to a national business since its formation in Cardiff in 2006 by Sophie Hughes and Lucy Cohen. Mazuma has recently successfully franchised throughout the UK. Central to its success is its award winning 'Purpleforce' service which **differentiates** it from its competitors. Sophie and Lucy realised that many small businesses 'dreaded seeing their accountant' and 'got bogged down in bookkeeping'. Customers simply take one of Mazuma's unique purple envelopes, fill it with all their invoices, bank statements, receipts and any other financial documents, seal it and pop it in the post. Mazuma does the rest and produces a set of monthly management accounts.

Mazuma seems to have many happy clients. Here are comments of two of them:

"No software, no spreadsheets, no fuss! I just send Mazuma everything in my purple envelope every month ... and they do everything else. Genius!"

'Working in TV, my time is too precious for accounts. My team and I use Mazuma's Purpleforce service; it's efficient, low cost and hassle free.'

*Adapted from [www.mazumamoney.co.uk](http://www.mazumamoney.co.uk)*

- (a) Using the passage, explain **two** ways in which Mazuma's co-founders have attempted to differentiate their business from that of its competitors. [4]
- (b) Identify **two** external stakeholders who might have an interest in the accounts of a business and explain why each one might be interested. [6]



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## 2. ROBERTSON'S GARDEN CENTRE

Having inherited his father's Garden Centre, Jack Robertson had run the business as a sole trader for the last twenty years. He employed up to 30 people on both a full and part-time basis and until recently had made a good living for himself and his employees. However, poor management and increased competition meant that profits, and morale, had tumbled. In fact, no one had earned any bonus at all in the last two years, as business had been so bad. Jack realised that he needed help if the business was to survive.



Lucy Jones, a business graduate, had worked for Jack for 18 months and was always suggesting ways in which he could improve the business. He knew things needed to change and asked her to become a partner in order to try and save the business.

Lucy jumped at the chance. She knew that the majority of Jack's staff were very able and had great potential if properly guided. However, when she took her first look at Jack's profit and loss account for 2009, she was alarmed. Lucy knew that change was needed urgently and advised Jack that he needed to increase his marketing expenditure by 90% in 2010. She also undertook a **benchmarking** exercise, focusing on the human resource management of the business. Two months later she presented Jack with her proposals.

- To introduce some **non-financial methods of motivation**.
- To make greater use of his staff by setting up **quality circles**.
- To set up a training programme for all staff.

Jack put in place all of Lucy's suggestions and the impact on the business was considerable. Sales revenue rose significantly and the business was brought back from the brink of closure.

**Robertson's Garden Centre, Profit and Loss Account  
for the years ending March 2009 and 2010**

	2010 (£)	2009 (£)
<b>Sales Turnover</b>	1 232 400	821 600
Opening Stock	44 000	45 800
Purchases	554 680	396 200
	598 680	442 000
<i>Less</i> Closing Stock	60 000	44 000
Cost of Sales	538 680	398 000
<b>Gross Profit</b>	(i)	423 600
<i>Less:</i>		
Wages/Bonuses	410 000	360 000
Vehicle expenses/fuel	38 000	24 500
Marketing	(ii)	2 000
Telephone	1 010	950
Insurance	4 500	4 500
Training	20 000	480
Business Rates	6 900	6 700
Accountancy fees	1 700	1 500
Depreciation - fixtures and fittings	5 500	5 500
Electricity	3 900	3 400
<b>Total Expenses</b>	(iii)	409 530
<b>Net Profit</b>	(iv)	14 070

- (a) Calculate the following for the Profit and Loss Account for 2010:
- (i) Gross Profit;
  - (ii) Marketing;
  - (iii) Total Expenses;
  - (iv) Net Profit. [4]
- (b) (i) What is meant by *benchmarking*? [2]
- (ii) Explain how Lucy would carry out the benchmarking exercise. [4]
- (c) What are *quality circles* and how might they benefit Robertson's Garden Centre? [6]
- (d) Evaluate the view that non-financial methods are far more effective than financial methods for motivating employees. [10]

### 3. INNOCENT DRINKS

Started in 1998 by three Cambridge University graduates, the business has grown from humble beginnings into an organisation that employs over 250 people with a 14% share of the UK's chilled juice market. **Innocent's products have high value added** and the business has a very desirable brand image. It was not, however, an overnight success and gaining finance in the initial stages proved very difficult. The initial focus was on developing the now famous 'smoothies' and the business was unable to afford hardly any **above-the-line** promotion in the first five years. Today it is a well known brand in the UK and engages in a good deal of **promotion**, both **above-the-line and below-the-line**, in order to achieve the company's objectives. It even puts on a festival in Regent's Park every year to say thank you to its customers: a very effective public relations exercise.



The founders have always been concerned about the impact that the business has on the environment and use as much recycled and renewable material as possible in their **packaging**. Their website tells us:

‘We want our packaging to have the lowest possible impact on the world around us. We aim to make our packaging as sustainable as possible. Obviously, we need to make sure that packaging does the job it's supposed to. After all, if trying to reduce environmental impact means that the packaging no longer protects the product we have to throw it out.’

The caring approach shown in relation to the environment also extends to the way the company treats its staff. It tends to employ creative staff who share the company's values and think independently.

‘A company without people is like chicken without chips’ writes Richard Reed, one of the co-founders. ‘We are so happy that we have offices brimming with smoothie experts ... and we would like to say thank you to everyone who works and has worked at Innocent’.

The company adopts a **democratic management style**, which they regard as key to the success of the organization. ‘We love talking and we love making sure that everyone feels a part of Innocent, knows where the business is going and is involved in making decisions about what we do. Therefore we make sure we get together twice a year and learn about what has gone on during the past six months and what is coming up in the year ahead’.

*Adapted from innocentdrinks.co.uk*

- (a) Explain what is meant by the phrase: *Innocent’s products have high value added.* [4]
- (b) With the use of examples, distinguish between *above-the-line* and *below-the-line* methods of promotion. [4]
- (c) Explain **three** objectives that Innocent Drinks would hope to achieve when promoting its products. [6]
- (d) Analyse the factors which Innocent Drinks should take into account when deciding how to package its products. [8]
- (e) To what extent might the democratic leadership style adopted by Innocent Drinks be more beneficial to the organisation when compared with other leadership styles? [12]

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