



**GCE AS/A level**

**1082/01**

**BUSINESS STUDIES – BS2**

**A.M. THURSDAY, 4 June 2015**

**1 hour 45 minutes plus your additional time allowance**

## **ADDITIONAL MATERIALS**

**In addition to this examination paper, you will need:**

**a calculator;**

**a WJEC 20 page answer booklet (pink), which has been specifically designed for this examination paper. No other style of answer booklet should be used. Should you run out of space, use a standard 4 page continuation booklet.**

## **INSTRUCTIONS TO CANDIDATES**

**Use black ink, black ball-point pen or your usual method.**

**Answer ALL questions.**

**Use both sides of the paper. Write only within the white areas of the book.**

**Write the question number in the two boxes in the left hand margin at the start of each answer.**

**Leave at least two line spaces between each answer.**

**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 

<b>3</b>
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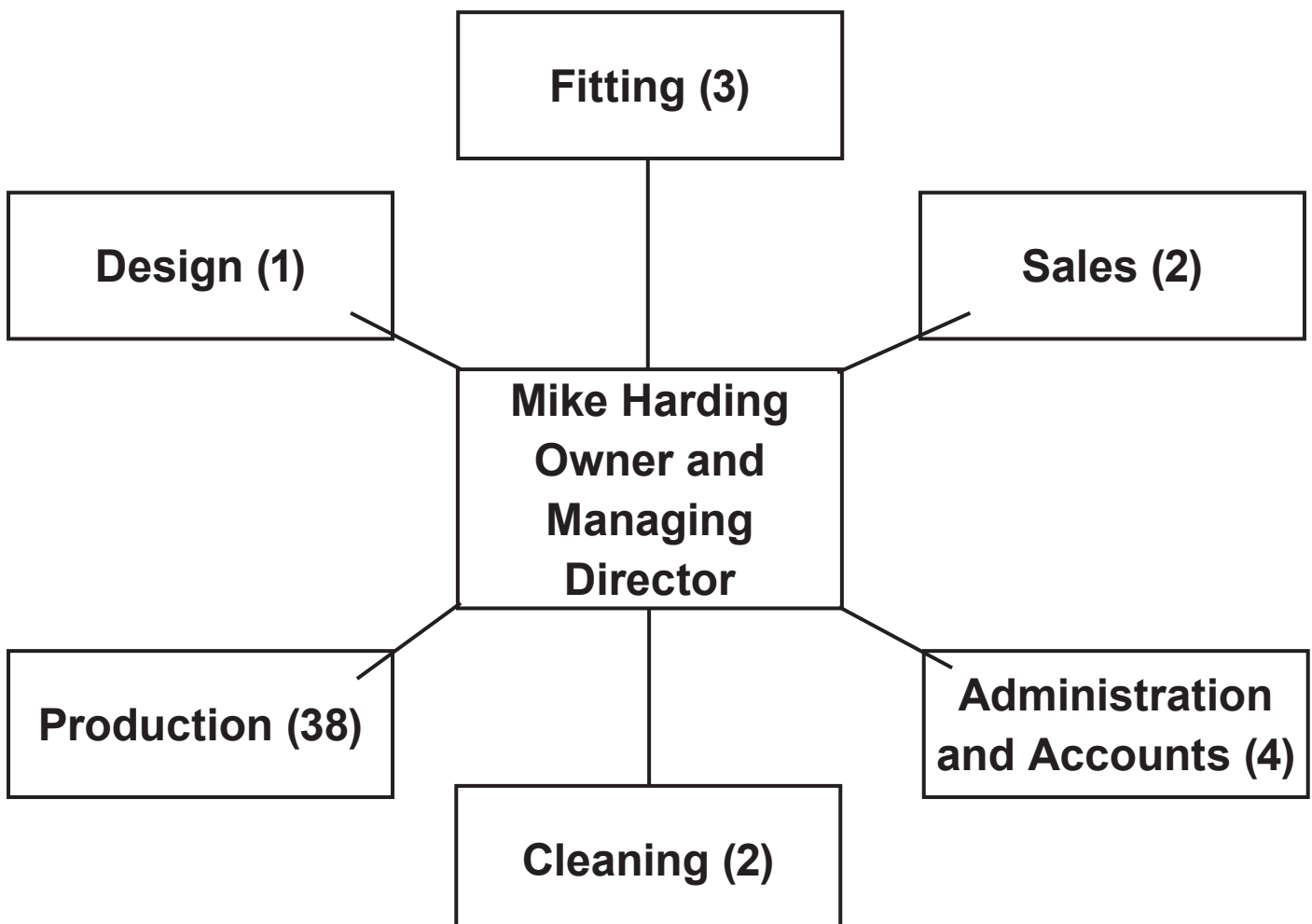
).**

Answer ALL the questions.

1. **PROBLEMS TO RESOLVE AT HARDING'S STOVES**

Mike Harding has enjoyed a great deal of success over the last ten years designing, manufacturing and fitting high quality wood-burning stoves. He now employs 50 workers in his business and his order book is looking good for the next 12 months.

**DEPARTMENTS AND NUMBER OF EMPLOYEES AT HARDING'S.**



**Unfortunately, as the business has grown, so have the problems Mike has to deal with. For example, having manufactured and installed 48 top of the range stoves for a local housebuilder last year, Mike had still not been paid and this was having an impact on his WORKING CAPITAL.**

**BALANCE SHEET: HARDING'S STOVES: 31 MARCH 2015**

	<b>£</b>	<b>£</b>
<b>FIXED ASSETS (NON CURRENT ASSETS):</b>		
Workshop and Office		<b>441 000</b>
Tools and Machinery		<b>170 000</b>
Vehicles		<b>?</b>
		<b>695 100</b>
<b>CURRENT ASSETS:</b>		
Stock	<b>68 860</b>	
Debtors	<b>19 740</b>	
Cash in Bank	<b>23 180</b>	
	<b>111 780</b>	
<b>CURRENT LIABILITIES:</b>		
Trade Creditors	<b>40 100</b>	
Loan	<b>60 000</b>	
	<b>100 100</b>	
<b>NET CURRENT ASSETS (WORKING CAPITAL):</b>		<b>?</b>
<b>NET ASSETS</b>		<b>706 780</b>
<b>FINANCED BY:</b>		
Opening Capital		<b>684 680</b>
Add Net Profit		<b>91 200</b>
		<b>775 880</b>
Less Drawings		<b>69 100</b>
<b>CAPITAL EMPLOYED</b>		<b>706 780</b>

1	1
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**With the aid of an example from Harding's Stoves, explain the meaning of:**

**Debtors; [2]**

**Trade Creditors. [2]**

1	2
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**Calculate the value of:**

**Vehicles; [1]**

**Net Current Assets (Working Capital). [1]**

1	3
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**Explain why Working Capital (Net Current Assets) is so important to a business such as Harding's Stoves. [4]**

To make matters worse, a number of stoves had not passed final inspection prior to despatch, because they did not meet the very high quality standards that Mike insisted upon. Mike was very concerned about recent quality issues and the falling **LABOUR PRODUCTIVITY**, as well as the increasing number of complaints related to customer service. He called in his shop-floor manager, Eric, to discuss his concerns.

Eric pointed out: “We are going to have to change the way we work if we are to maintain the quality we pride ourselves on, especially now that we have so many staff. I think you have forgotten what it’s like on the factory floor because you are out and about looking for new customers most of the time. It’s like I have always said – production is the most important department if this business is to succeed.”

1
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4
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**What is labour productivity? [2]**

1
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5
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**Briefly explain ONE way in which Mike Harding could improve labour productivity in the business. [2]**



1	6
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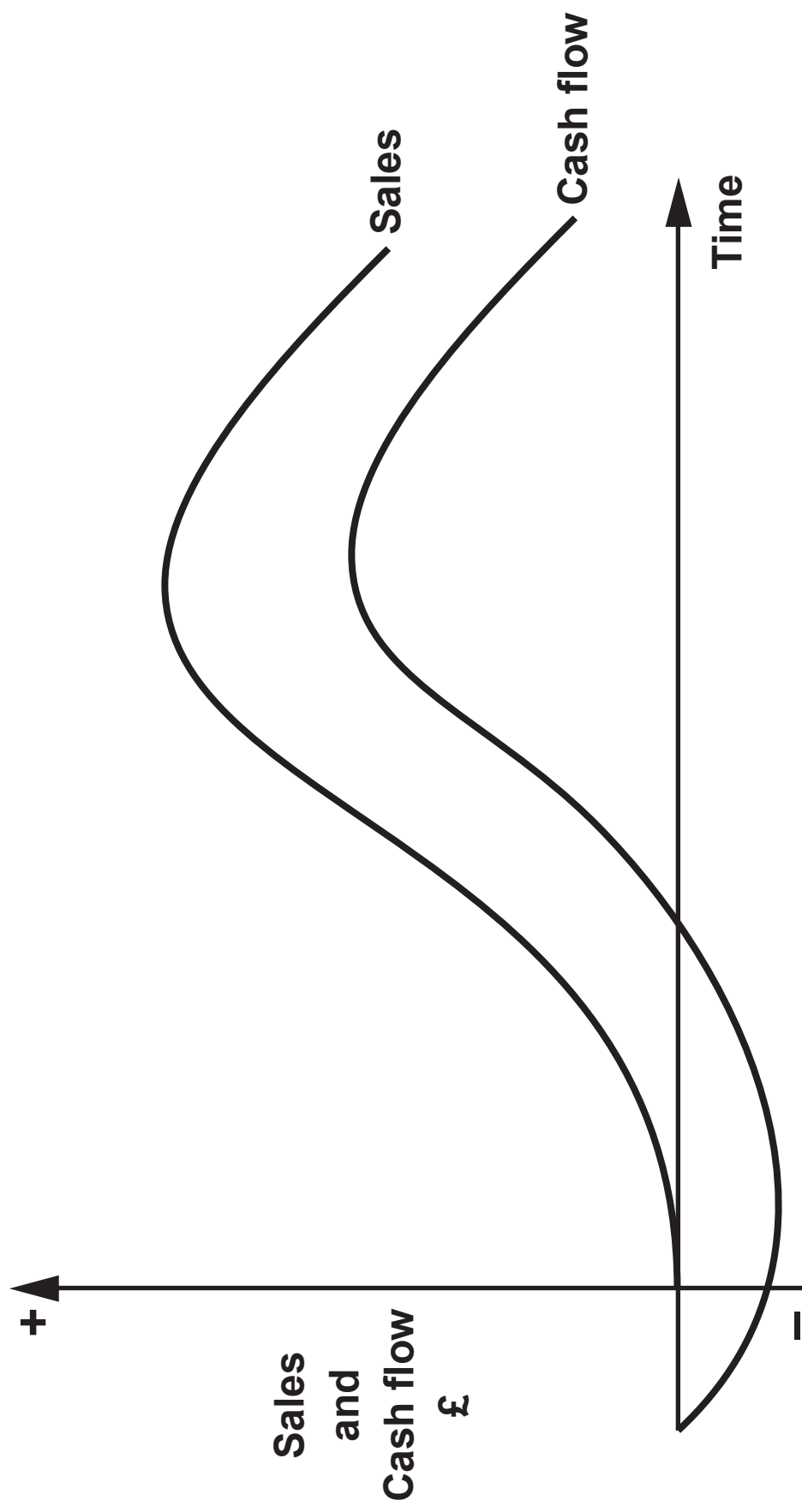
**Explain ways in which Harding's Stoves can try to ensure that it maintains its reputation for providing its customers with quality goods and services. [8]**

1	7
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**Discuss Eric's view that production is the most important department in Harding's Stoves if the business is to be successful.**

**[8]**

**FIGURE 2: A Classic Product Life Cycle Illustrating Sales Revenue and Cash Flow.**



## **2. BURTON'S BISCUITS – A RECIPE FOR SUCCESS**

**Burton's Biscuits employs over 2200 people across five major sites in the UK. Two of its most popular brands, Wagon Wheels and Jammie Dodgers, have both been on sale for well over 50 years and are both in the maturity stage of their product life cycles. This is a long time for any product to survive and most start to decline long before that.**

**FIGURE 1: Extracts from [www.burtonsbiscuits.com](http://www.burtonsbiscuits.com).**

- Jammie Dodgers are the biggest kid's biscuit brand in the UK (and are actually enjoyed by loads of adults too!)**
- In 2013 we re-launched the Jammie Dodgers brand with a new look and new flavours – Banana & Toffee and Jam & Custard.**
- We made an exciting return to TV in 2011 as part of a £4.5 million campaign that re-captured the spirit of the brand and engaged with Jammie Dodger lovers of all ages. Our TV ad was such a hit that it won The Grocer 'Best Biscuit Advert of 2011' award.**

2	1
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**With reference to Burton's Biscuits, explain what is meant by an 'extension' strategy.**

**[4]**

2	2
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**With reference to FIGURE 2 opposite, explain how cash flow changes through the various stages of the product life cycle. [8]**

2	3
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**Evaluate the view that, for products with such a long product life cycle, such as Jammie Dodgers and Wagon Wheels, expensive advertising campaigns are a waste of money. [8]**

**FIGURE 3: An extract from “How we support our employees at Burton’s”.**

**By encouraging high levels of individual and team performance, we know our company will continue to go from strength to strength.**

**We are proud of all our employees and committed to offering them the best possible initiatives to help them develop both personally and professionally.**

**Here are some examples of the schemes and benefits we offer to the people on our team:**

- Employee led TRAINING which is supported by the Burton’s Biscuit Company Personal Development Plan process.**
- Open and transparent talent management process.**
- Study support in the form of financial assistance and/or paid time off.**

<b>2</b>	<b>4</b>
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**Explain the benefits of an effective training programme to a business such as Burton’s Biscuits. [8]**

### **3. CHALLENGING TIMES FOR THE HIGH STREET**

**2013 witnessed the closure of Comet, Blockbuster and Republic and significant cutbacks in the number of stores operated under the iconic brand names of HMV and Jessops; all of which had a much more significant presence on the high streets of the UK than they do today.**

**However, not all retail businesses have had such a bad time: in fact John Lewis is undertaking a programme of opening new stores in a number of high streets in the UK. Yet, the long-term migration of shoppers to purchasing online and visiting out-of-town shopping malls shows no sign of slowing down.**

**If the closure of retail stores continues at the current rate, shopping in town-centre high streets, with all the additional costs it involves, may soon be a thing of the past.**

- 3** To what extent do you agree that shopping in town-centre high streets may soon become a thing of the past? [12]