

Context – Badge Identity Ltd

Gary Mekins and his wife Karen started Badge Identity as a partnership in 1994. Badge Identity Ltd was formed in 1996, in Hartlepool, where the local council is keen to help small businesses. There are four shareholders, each owning 25% of the shares.

The business manufactures personalised clothing with embroidered logos and names, for example school names and logos on sweatshirts and ties. Badge Identity Ltd is always looking to extend its product mix and frequently withdraws products, replacing them with newer ones in its mail order catalogue.

The main business objectives of Badge Identity Ltd are to:

- expand into new markets
- increase turnover
- improve profits

and its mission statement is ‘a quality item, at an acceptable price, on time’. Over the years it has tried to build up a good reputation with its customers. As the business has expanded, more embroidery machines have been purchased. The directors also try to keep the business competitive by purchasing state-of-the-art machinery, which is not always possible from retained profits.

The internal structure of Badge Identity Ltd is as follows:

Gary Mekins is the Managing Director. His wife Karen is the Finance Director whose job includes keeping and analysing the accounts of the business. The other two directors are Patrick Coyle, Sales and Marketing, and Beth Webster, Production and Quality Control.

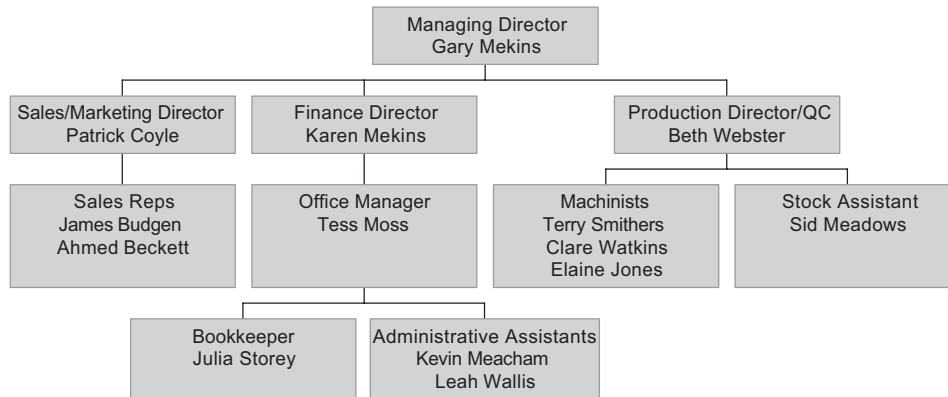
The directors try to meet weekly but this is not always possible due to pressure of work in other areas.

Badge Identity Ltd has been in its current premises since the start of the business but the increased number of machines and its extended product range has meant storage space is limited. The directors have been thinking of short-term solutions as they consider what to do in the long-term.



Answer ALL questions

1.



The organisation chart for Badge Identity Ltd is shown above.

(a) (i) Apart from showing span of control, give **THREE** reasons Badge Identity Ltd have for using an organisation chart.

.....

.....

.....

.....

.....

.....

(3)

(ii) Each director has a narrow span of control. Explain **ONE** advantage and **ONE** disadvantage to Badge Identity Ltd of having a narrow span of control.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(6)



Leave blank

(b) (i) Beth Webster is the Production Director. Explain **TWO** responsibilities she has at Badge Identity Ltd.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(6)

Sometimes decisions made by one department can affect another department, for example a deadline for a job was agreed with a customer but the Sales Director, Patrick Coyle, forgot to tell the Production Director, Beth Webster.

(ii) Why is it important for each department to know what the other departments are doing?

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(5)

(Total 20 marks)

Q1

--	--



Leave
blank

2. Badge Identity Ltd recently purchased a new machine for £48 000 using a bank loan. To arrange the loan, the Financial Director, Karen Mekins, met with the bank manager.

(a) Describe **TWO** factors the bank manager would have considered before granting the loan.

.....

.....

.....

.....

.....

.....

.....

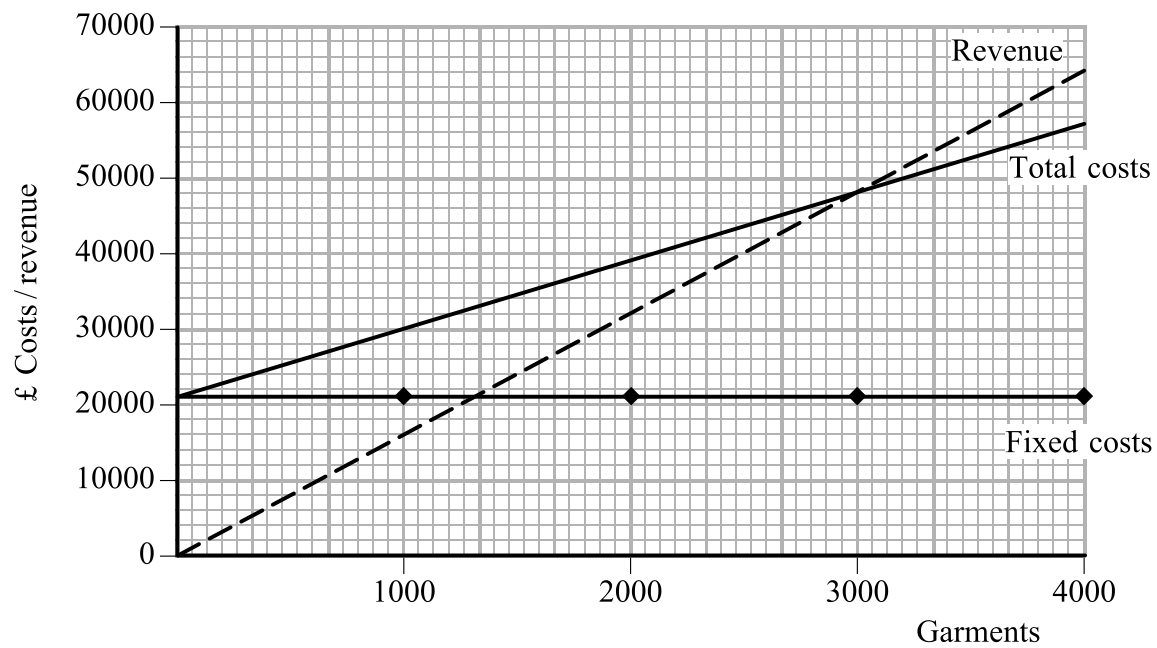
.....

(4)



Beth Webster, the Production Director, needs to know the minimum number of items that must be made and sold each month if Badge Identity Ltd is to cover its costs. She uses a break even chart to do this.

Badge Identity Ltd – Break even chart



(b) (i) On the above chart, label the break even point. (1)

(ii) How many units does Badge Identity Ltd need to sell in order to break even?
 (1)

(iii) What is the revenue at break even?
 (1)

(iv) What would be the profit or loss if 2 000 units are sold? State whether it is a profit or a loss.

 (2)



Break even analysis can show the results of 'what if' situations, for example what if the selling price was increased.

- (v) Explain the effects that employing two more machinists would have on Badge Identity Ltd's break even point.

.....
.....
.....
.....
.....

(3)

Karen Mekins, the Financial Director, uses ratios to analyse the accounts of Badge Identity Ltd. The current ratio for Badge Identity Ltd is

$$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{\text{£200000}}{\text{£100000}} = 2:1$$

- (c) (i) Using the above ratio, evaluate the liquidity of Badge Identity Ltd.

.....
.....
.....
.....
.....
.....
.....

(4)



Leave
blank

(ii) If the current ratio was 0.8:1, assess the implications this would have for Badge Identity Ltd.

.....

.....

.....

.....

.....

.....

(4)

Q2

(Total 20 marks)



3. Badge Identity Ltd is a private limited company. The directors have discussed forming a public limited company but have not yet come to a decision.

(a) (i) List **THREE** differences between a private limited company and a public limited company.

.....
.....
.....
.....
.....
.....
.....
.....

(3)

The shareholders of both private and public limited companies have limited liability.

(ii) Explain how limited liability protects the shareholders of Badge Identity Ltd.

.....
.....
.....
.....
.....
.....
.....
.....

(4)

(iii) Why is this protection of shareholders important for Badge Identity Ltd?

.....
.....
.....
.....

(2)



Leave blank

Badge Identity Ltd's main objectives are to:

- expand into new markets
- increase turnover
- improve profits.

(b) Discuss how Badge Identity Ltd might achieve **TWO** of the above objectives.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(6)

The local council helped Badge Identity Ltd with security by installing a burglar alarm system with a direct link to the local police station.

(c) Explain **ONE** way, other than security, that the local council can help businesses like Badge Identity Ltd and why the council does this.

.....

.....

.....

.....

.....

.....

.....

.....

.....

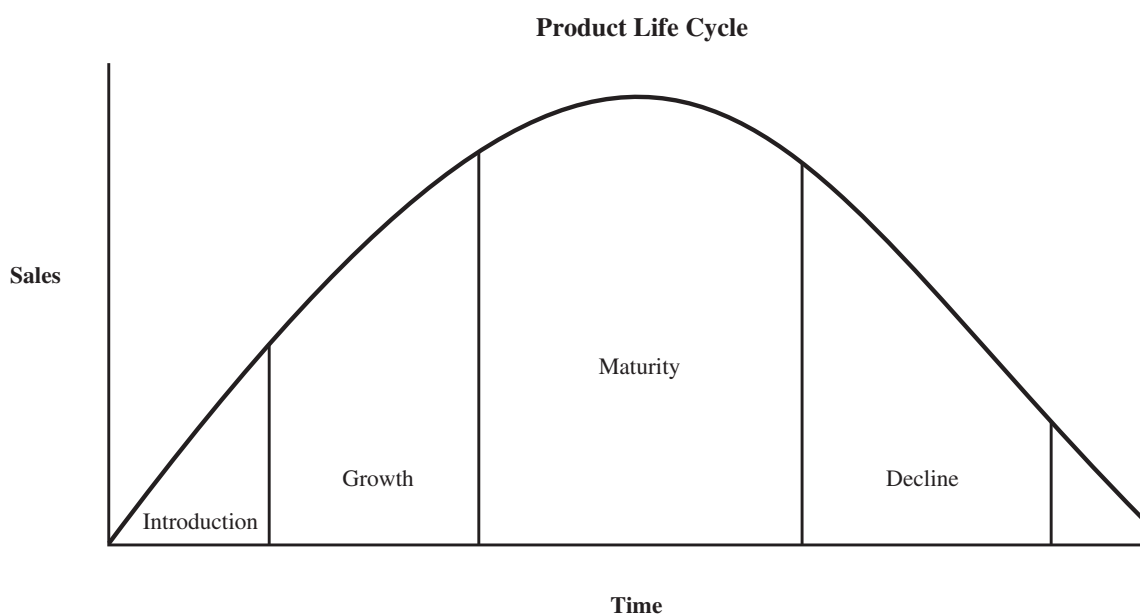
(5)

(Total 20 marks)

Q3



4. Badge Identity Ltd has recently introduced a showerproof jacket for school use. This product is said to be in the introduction phase of the product life cycle.



- (a) (i) During the introduction phase, sales of the new showerproof jacket have been fairly steady but profits are low. Explain why profits are low.

.....

.....

.....

.....

.....

.....

(4)

- (ii) Suggest why profits should rise during the growth stage of the showerproof jackets.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(7)



5. Badge Identity uses batch production.

(a) Analyse the advantages and disadvantages for Badge Identity Ltd of using batch production.

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

(8)

Quality control is very important to Badge Identity Ltd.

(b) Analyse the ways Badge Identity Ltd can improve and maintain the quality of its products.

.....
.....
.....
.....
.....
.....
.....
.....
.....

(continued over)



Leave blank

(Question 5(b) continued)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(12)

Q5

(Total 20 marks)

Quality of Written Communication: 5 marks

TOTAL FOR PAPER: 105 MARKS

END



BLANK PAGE



BLANK PAGE

