

CONTEXT – WebDesPix Ltd (WDP)

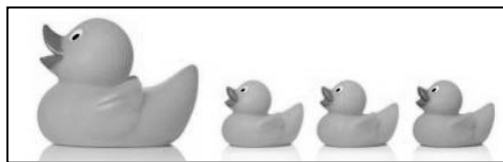
In 1999, three students (Tom, Dee and Ali) in the final year of their Computer Studies degrees at Bristol University decided to start a business designing websites. The business was called WebDesPix (WDP). On the advice of Tom's father, John, WDP was a private limited company. John is still involved with the company as non-executive Chair and attends a monthly board meeting, travelling from Suffolk to Bristol. The company has always been located in Bristol. Tom says, "We could have run the company from anywhere in England but, as we were all from different parts of the country, it was easier to locate where we had studied".

The initial capital of £8 000 was raised from the three families. Ali left the company after two years and was bought out by Tom and Dee, who each now own 50% of the shares. They are planning to give John shares in the company. It is company policy to re-invest profits. The company has never had a bank loan but uses an overdraft facility.

The objectives of WDP for 2009 were to:

- consolidate following two years of sustained growth (15% on turnover per annum)
- market all products on-line
- increase use of e-commerce in its own website and those it designs for other companies
- continue trading in a competitive market where anybody can set up as a web designer.

Web design is still the core business of the company but new services include electronic newsletters, domain registrations, hosting and search engine optimisation. The company offers three standard web design packages: Budget at £800, Professional at £1 000 and Executive at £1 500. Each package provides a number of web pages, e-mail facilities and the costs of hosting the site. WDP will give a quotation to clients who require non-standard packages. The majority of clients are in the South West of England but 25% of the company's income is from clients in the South East. WDP uses branding, shown below, with the tag line, 'Like ducks to water'.



The company is labour-intensive with relatively small overheads. WDP builds and upgrades its own computers. Tom is responsible for sales and finance, and Dee for design and health & safety. All other areas of the business are shared between them. There are seven full-time employees: two sales assistants, two computer coders, two search engine optimisers and a design assistant. All of these salaried positions require highly-qualified (a degree in IT) and skilled people who train new employees as required. Vacancies are advertised on the company website and at regular networking meetings with other businesses in the Bristol area. Tom and Dee interview all applicants personally. There is a three-month probationary period for all new employees.

There are two part-time employees: a Personal Assistant (PA) for Tom and a bookkeeper. The part-time employees present monthly invoices for their services. Full-time employees receive a monthly bonus based on turnover; free health insurance after six months' employment; a free lunch each Friday and the use of a Wii during their breaks. Office hours are five days a week from 0900 to 1730. The two sales assistants receive, in addition to their salary, a commission of 12½% on their sales. No employee works from home.

The main form of communication is by e-mail. Fax is now rarely used. There is occasional use of video-conferencing. The company website displays examples of its web design work. Tom says, "Networking meetings and word-of-mouth are very important and bring us most of our clients". All financial documents are raised by the Sage Accounting package and the PA uses Word, Excel, PowerPoint, Access and Outlook.



Answer ALL questions.

For each question, choose an answer A, B, C or D and put a cross in the box ☒. Mark only one answer for each question. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1. (a) (i) WebDesPix Ltd (WDP) provides a service and is in the

- A secondary sector
- B primary sector
- C tertiary sector
- D quaternary sector.

(ii) Details of the personal qualities required for a job is called the

- A job specification
- B job match
- C job start
- D job description.

(iii) If WDP sent its employees to a college for training, this would be

- A on-the-job training
- B induction training
- C government training
- D off-the-job training.

(iv) In a break-even graph, the break-even point is where

- A total costs and fixed costs are the same
- B fixed costs and variable costs are the same
- C total costs and revenue are the same
- D fixed costs and revenue are the same.

(v) The part of net profit given to shareholders is the

- A retained profit
- B dividend payment
- C sales revenue
- D share capital.

(5)



(b) (i) Give **ONE** example of a current asset.

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(ii) Name **TWO** stages of the product life cycle.

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(iii) Identify wages as either a start-up cost or a running cost.

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(iv) State **ONE** piece of information you would find on an invoice.

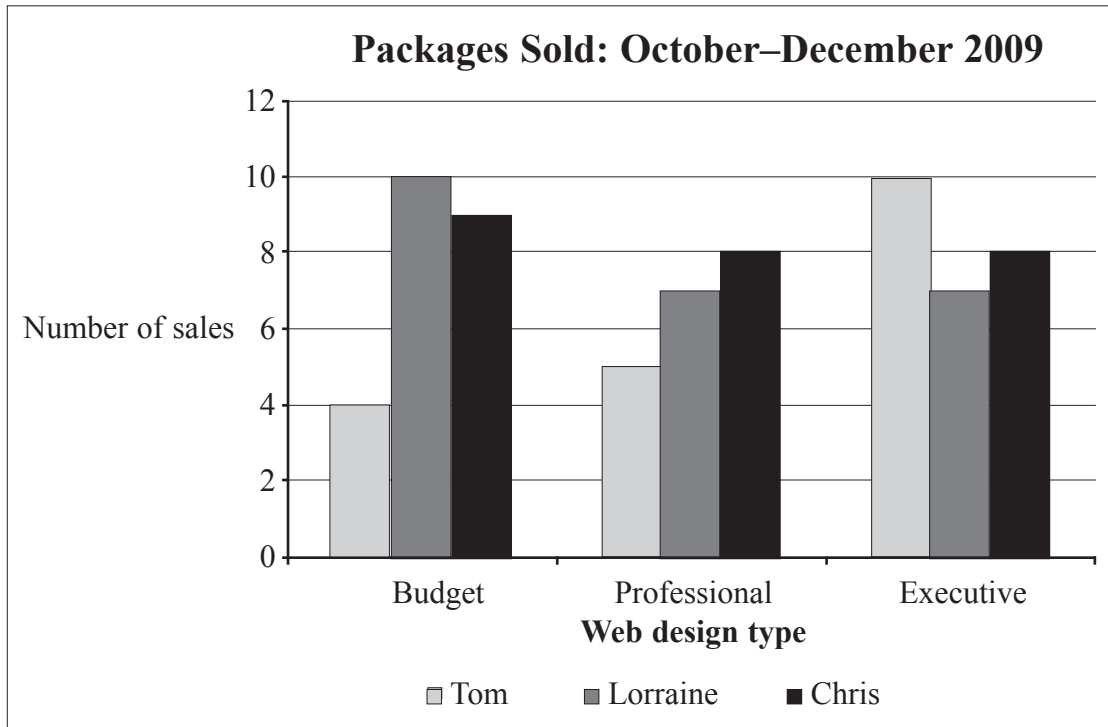
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The chart below shows sales of the three standard web design packages offered by Tom and his two sales assistants at WDP, Lorraine and Chris, in the last three months of 2009.



(c) (i) How many budget packages were sold in this period?

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 (1)

(ii) Calculate the total number of packages sold in this period.

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 (1)

(iii) Which was the best selling package in this period?

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 (1)



(iv) Identify for Tom, Lorraine and Chris their total individual sales in this period.

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(3)

Value of Sales October–December 2009

	Tom	Lorraine	Chris
	£	£	£
Budget	3 200	8 000	7 200
Professional	5 000	7 000	8 000
Executive	15 000	10 500	12 000
Total	23 200	25 500	27 200

(v) Using the chart on page 6 and the table above, discuss who had the best sales record in this period.

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(4)

Q1

(Total 20 marks)



2. (a) (i) Using the information in the context, draw the organisation chart for WDP.



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(ii) Define the term, span of control.

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WDP is a labour-intensive business.

(b) What is meant by a labour-intensive business?

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WDP operates in a very competitive market and has survival as one of its aims.

(c) Analyse the importance of survival as a business aim.

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WDP uses a leaflet to promote its three standard web design packages. The leaflet states the price of each package. This price does not include Value Added Tax (VAT).

(d) (i) What is VAT?

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(ii) Consider the advantages to WDP of showing a price that does not include the VAT clients will have to pay.

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3. WDP is a private limited company (Ltd) with 100 shares. Tom and Dee each own 50 shares in WDP. They are thinking of offering John (non-executive Chair) an opportunity to buy some of the 100 WDP shares.

(a) (i) Outline the purpose of a share.

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(ii) Discuss why Tom and Dee would have to agree with each other before they could offer shares to John.

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(4)

Applicants for job vacancies at WDP complete an on-line application form. Short-listing is one of the final stages in the recruitment process.

(b) (i) What is short-listing?

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Only Tom and Dee interview for vacancies at WDP.

(ii) Evaluate the disadvantages to Tom and Dee of carrying out interviews themselves.

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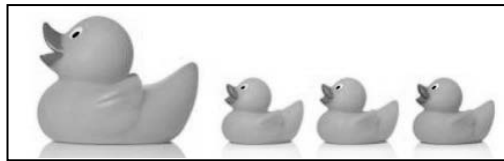
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WDP uses branding on its letterheads, promotional leaflets and price lists. The branding is shown below.



(c) Suggest advantages to WDP of using branding.

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WDP has many competitors.

(d) Analyse why WDP might use competition pricing if it launched a new web design package.

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4. WDP uses bonuses and commission to motivate its staff. In March 2010 the monthly bonus for all employees was £120. In the same month Lorraine sold:

- three Budget packages
- two Professional packages
- one Executive package.

(a) (i) Using information from the context, calculate Lorraine's commission for March.

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(ii) Consider the effect that Lorraine's March commission could have on non-sales employees.

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WDP provides its employees with some non-financial incentives. One of these is free medical insurance after six months of employment.

(b) Discuss the benefits of such incentives for the **employees**.

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WDP only uses on-the-job training.

(c) (i) Describe on-the-job training.

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(ii) Why does WDP only use on-the-job training?

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5. WDP has never had a bank loan but in 2009 did use its overdraft facility.

(a) (i) State **TWO** benefits of an overdraft.

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(ii) Advise Tom (Finance Director) on the benefits of having a bank loan rather than an overdraft.

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The data below was taken from WDP’s final accounts for 2008 and 2009.

	2009	2008
	£	£
Current assets	60 000	36 000
Current liabilities	48 000	48 000

The current ratio, a liquidity ratio, is calculated using the formula:

current assets : current liabilities.

(b) Using current ratio, analyse the change in liquidity for WDP between 2008 and 2009.

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WDP has seven full-time employees who all work in a large single-room office with the two directors.

(c) Discuss how such an arrangement could lead to good communication.

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Q5

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(Total 20 marks)

Quality of Written Communication: 5 marks
TOTAL FOR PAPER: 105 MARKS

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