

CONTEXT – WebDesPix Ltd (WDP)

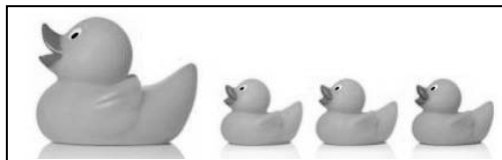
In 1999, three students (Tom, Dee and Ali) in the final year of their Computer Studies degrees at Bristol University decided to start a business designing websites. The business was called WebDesPix (WDP). On the advice of Tom's father, John, WDP was a private limited company. John is still involved 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 £8000 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 £1000 and Executive at £1500. 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.

1. 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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(Total 20 marks)

Q1

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2. 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 |
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| | £ | £ |
| 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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3. To be successful WDP has to survive in a very competitive market.

(a) State **ONE** business aim, other than survival.

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(b) Why is the web design market so competitive?

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(c) Analyse why WDP is best described as a labour-intensive business.

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(d) Assess why WDP is a flat organisation.

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Q3

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4. Since it began operating as a business in 1999, WDP has been located in Bristol.

(a) Discuss why Bristol was chosen as the location for WDP.

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WDP is a private limited company with two directors, Tom and Dee.

(b) (i) State **TWO** characteristics of a private limited company, other than limited liability.

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(ii) Suggest why Tom and Dee did not form a partnership when they set up WDP.

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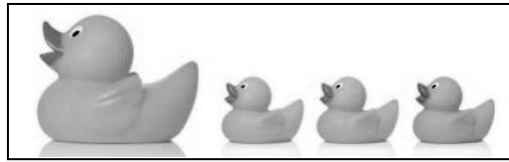
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5. WDP brands all its materials, printed and electronic, with the image below.



(a) Evaluate the benefits that such branding will have for WDP.

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WDP operates in a very competitive business environment where pricing is often a key issue for keeping existing clients and gaining new clients.

(b) Consider the use of competitive and penetration pricing strategies if WDP were to launch a new web design package.

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Q5

(Total 20 marks)

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

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