

CONTEXT – WebDesPix Ltd (WDP)

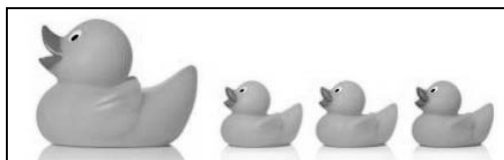
In 1999, three students (Tom, Dee and Ali) in the final year of their Computer Studies degrees at Bristol University decided to start a business designing websites. The business was called WebDesPix (WDP). On the advice of Tom's father, John, WDP was a private limited company. John is still involved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

1. WDP creates its three standard web design packages using batch production.

(a) (i) Describe the main features of batch production.

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(3)

WDP provides quotations for clients who require non-standard packages. Each non-standard package is created using job production.

(ii) Describe the main features of job production.

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(3)

(iii) Analyse why the non-standard web packages are more expensive to create than the Budget, Professional and Executive packages.

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(4)



WDP markets all its products on-line.

(b) Consider whether marketing its products on-line is a suitable approach for WDP.

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(5)

Q1

(Total 15 marks)



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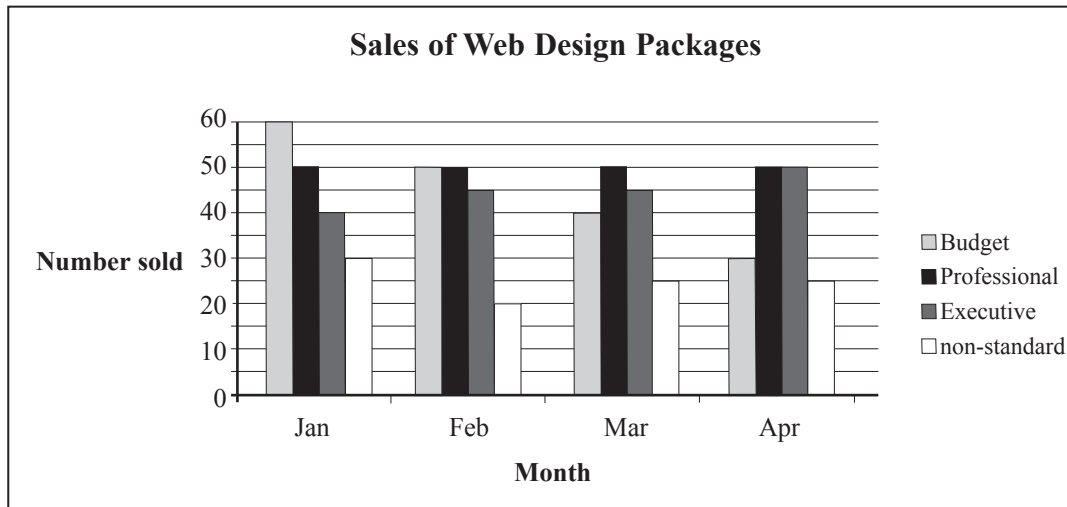


2. WDP offers three standard web design packages at fixed prices.

- Budget package price is £800
- Professional package price is £1 000
- Executive package price is £1 500.

WDP also provides a quotation to clients for a non-standard web design package. The average price of these packages is £2 000.

Sales of each package for the first four months of 2010 are shown below.



(a) Using the above information, answer the following questions.

(i) How much sales income did WDP receive from the Executive package in January?

£ (1)

(ii) Calculate WDP's total income from non-standard packages in this four-month period.

£ (1)

(iii) Which package brought WDP its largest **income** in April?

..... (1)

(iv) Which package had the same sales in each month?

..... (1)



(b) (i) Using information from the graph, identify why Tom and Dee might decide to stop selling the Budget package.

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(2)

(ii) Analyse **one** likely problem for WDP if Tom and Dee decided to stop selling the Budget package to clients.

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(3)

Tom and Dee are discussing the product life cycle of the Budget package.

(c) To what extent will product life cycle analysis help Tom and Dee decide whether to continue or stop selling the Budget package?

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(6)

(Total 15 marks)

Q2

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3. Tom and Dee have the following financial information for WDP. This information is for the first month of trading in 1999.

	<u>£000</u>
Sales	7
Gross profit	2
less Expenses	<u>5</u>
Net loss	<u>3</u>
Fixed assets	7
Current assets	<u>5</u>
	<u>12</u>
Share capital	8
Long-term liabilities	1
Current liabilities	<u>3</u>
	<u>12</u>

(a) Define the following terms.

(i) Gross profit.

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(1)

(ii) Fixed assets.

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(1)

(iii) Long-term liabilities.

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(1)

(iv) Current liabilities.

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(1)



(b) How might Tom, Dee and Ali have turned the net loss shown on page 8 into a net profit?

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(2)

The initial £8 000 capital of WDP was raised by the families of Tom, Dee and Ali as share capital. Tom, Dee and Ali turned down the offer from their bank of an £8 000 loan at 5% interest per annum.

(c) What would have been **two** benefits for Tom, Dee and Ali from raising capital from their families rather than taking out the bank loan?

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(6)

(d) Outline **one** way that retained profits might help Tom and Dee run WDP.

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(3)

(Total 15 marks)

Q3

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(12)

Q4

(Total 15 marks)

Quality of Written Communication: 3 marks
TOTAL FOR PAPER: 63 MARKS

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