

**BUSINESS AND MANAGEMENT
HIGHER LEVEL
PAPER 1**

Tuesday 20 May 2003 (afternoon)

2 hours

INSTRUCTIONS TO CANDIDATES

- Do not open this examination paper until instructed to do so.
- Read the case study carefully.
- Section A: answer all questions.
Section B: answer one question.

SECTION A

Answer **all** questions in this section.

1. (a) Define the term stakeholder, and give **four** examples of major stakeholders in *Rainbow Club Ltd*. [6 marks]
- (b) Explain, using examples from the case study, how the interests of these stakeholders may conflict and assess to what extent these conflicts may be reduced. [8 marks]
2. (a) Explain how the demographic profiles and trends identified by *Target Data* may affect the future operations of *Rainbow Club Ltd*. [6 marks]
- (b) Discuss how precise segmentation and targeting of *Rainbow Raiders'* fan base could result in more cost effective promotional activities. [10 marks]
3. (a) Discuss the effectiveness of Joe Swale's leadership approach and management style and assess its likely implications for *Rainbow Club Ltd* and its future success. [8 marks]
- (b) Advise George Swale on the use of both monetary and non-monetary rewards to improve the morale of administrative staff. [10 marks]
4. Joe Swale is planning significant changes in the scale and nature of *Rainbow Club Ltd* and its activities.

Assess the internal and external forces driving and restraining these changes and evaluate the club's potential options. Recommend whether it should redevelop its existing premises or move to Carlton. [12 marks]

SECTION B

Answer **one** question from this section.

5. Robert Graves has concluded his financial review and has begun emergency negotiations with all company sponsors, advertisers and *The New Dominion Bank* prior to the start of the 2003-2004 season. He has streamlined business activities to produce more consistent revenues. *DQ Sports Inc* have finally signed contracts of sponsorship to begin in June 2003, offering a flat sum of \$600 000 per month in return for their logo appearing on shirts and equipment and on all corporate communications. In addition, the senior players will attend *DQ Sports Inc* publicity events to endorse their products. Two other existing sponsors have agreed monthly payments of \$175 000 each, also payable from the start of June. Advertising revenues has been renegotiated with local firms. The total advertising revenues will be equal to 10 % of revenues from monthly ticket sales.

Ticket prices have been increased and the following are budgeted revenues for the next six months (June – November 2003)

	\$000s					
	June	July	Aug	Sept	Oct	Nov
Ticket sales	0	350	700	680	710	710
Merchandising and catering sales	0	154	215	204	240	245

Rainbow Club Ltd enter June 2003 with a bank overdraft of \$836 000. The club owes players' wages of \$800 000 from May and a further \$6 000 to kit and equipment suppliers. These debts are to be paid in two equal instalments over June and July in addition to usual payments of \$800 000 and \$12 000 respectively. *DQ Sports Inc* has agreed to provide a loan of \$400 000 in June which will then be deducted from their November sponsorship payment.

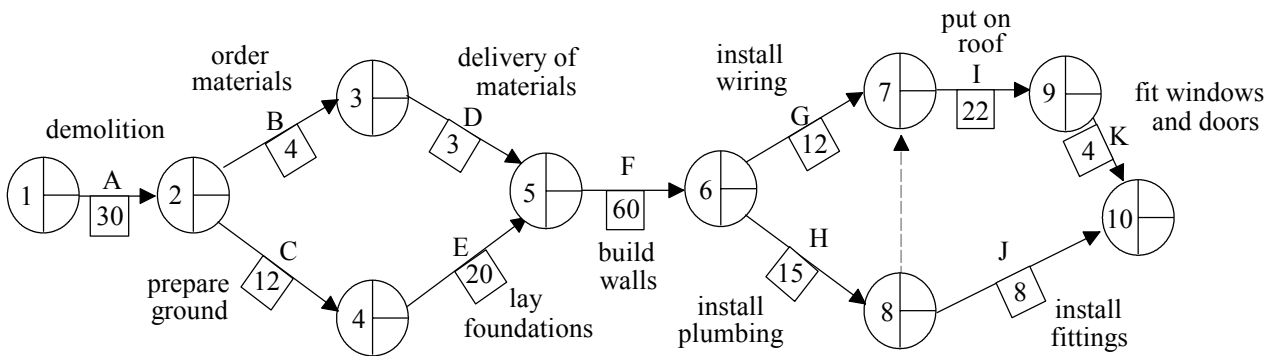
Another condition of the sponsorship is improved maintenance of the ice rink. The maintenance payment has been increased by 25 % over April 2003. The local government has increased the rent payable by the *Rainbow Club Ltd* by 8 % and marketing and administration costs have both increased by 5%. All other payments will remain at April 2003 levels.

- (a) Define the term sponsorship and explain why *DQ Sports Inc* is prepared to invest so much money sponsoring the *Rainbow Raiders* ice hockey team. [5 marks]
- (b) (i) Prepare a cash flow forecast for *Rainbow Club Ltd* for the months June to November 2003 [8 marks]
- and**
- (ii) from your forecast assess whether *Rainbow Club Ltd* will be able to clear its overdraft by December as required by *The New Dominion Bank*. [3 marks]
- (c) Discuss how the use of budgets and a cash flow forecast will help Robert Graves maintain financial control of *Rainbow Club Ltd*. [4 marks]

6. *Rainbow Club Ltd* have invited tenders from several construction companies for the possible redevelopment of the existing community centre premises to house the new ice hockey stadium and retail units. *Millennium Construction* is one of four firms bidding for the building contract. They have been recommended to Joe Swale as a company dedicated to total quality management, benchmarking and continuous improvement. As a result, *Millennium Construction* has won many quality awards, both nationally and internationally.

Figure 1 is an outline critical path network produced by *Millennium Construction*, as part of its planning to prepare budgets and costings for the bid.

Figure 1



- (a) Complete the critical path diagram by calculating the earliest starting time (EST) and latest finishing time (LFT) for each activity, identifying the critical path and adding an appropriate key. [8 marks]
- (b) Discuss how *Millennium Construction* can use this critical path network to produce budget and costing calculations in support of its bid for the redevelopment contract. [5 marks]
- (c) Using suitable examples, assess how *Millennium Construction's* commitment to quality will influence its activities in practice and analyse the advantages this commitment will bring for *Rainbow Club Ltd*. [7 marks]