

X234/201

NATIONAL
QUALIFICATIONS
2009

TUESDAY, 19 MAY
9.00 AM – 10.45 AM

BUSINESS
MANAGEMENT
INTERMEDIATE 2

Candidates should attempt **all** questions in Section One and **two** questions from Section Two.

Read all the questions carefully.

75 marks are allocated to this paper.

25 marks for Section **One** and 50 marks for Section **Two**.

Answers are to be written in the answer book provided.

Section **One** is on fold-out pages two, three and four.

Section **Two** is on fold-out pages five, six, seven and eight.



SECTION ONE

This section should take you approximately 45 minutes.

Read the following information, then answer the questions which follow on Page four.

Tunnock's

<p><i>Background</i></p> <p>Tunnock's is a family run business that has been in existence since 1890. It started out as a baker's shop and tearoom. Boyd Tunnock, grandson of the firm's founder, is managing director and is responsible for running the business. Tunnock's snowballs, marshmallow teacakes, caramel logs and caramel wafers are known and sold world-wide despite stiff competition from other leading brands. They were first exported in 1957. In 2001 the company was forced to stop supplying Saudi Arabia due to a ban on the import of milk products. The Saudi Arabian market was worth £500,000 a year to Tunnock's.</p>	<p>CANDIDATE'S NOTES</p>
<p><i>The Present Situation</i></p> <p>Tunnock's have good relations with their staff and ensure that they are well paid and receive many benefits. Recently, however, there has been less overtime for staff.</p> <p>In June 2006, Tunnock's was forced by the Food Standards Agency to withdraw packs of snowballs and caramel wafers from all retail outlets. The labels on their snowballs failed to state that they were unsafe for anyone suffering from a wheat or gluten allergy; the labels on their caramel wafers failed to state that they were unsafe for those suffering allergies from soya. This was reported in the newspapers and on TV.</p> <p>Due to a fall in profits less money has been spent on advertising. The marketing manager is unhappy about this. He also feels that attempts should be made to re-enter the Saudi Arabian market and is keen to boost sales in France and Germany.</p> <p>Marketing has always been important to Tunnock's. Their products are recognised as being distinctly Scottish. The cheeky face of the famous Tunnock's Boy appears on nearly all of Tunnock's products. The boy was chosen because of the clean friendly image his face brings to Tunnock's business, and this image has been used for over 100 years.</p>	<p>CANDIDATE'S NOTES</p>

<p>Tunnock's most popular product is the Caramel Wafer. The wrappers of the milk chocolate version bear the wording "more than 4,000,000 of these biscuits made and sold every week". The other products in Tunnock's range are largely based on the caramel wafer and the teacake.</p> <p>Boyd Tunnock has refused a number of takeover offers for the business and has a personal fortune estimated at £30 million. He realises, however, that steps must be taken to increase profits whilst maintaining the present family owned and run structure of the business. The social responsibilities that tie the factory to the local town have not been forgotten. Boyd Tunnock is the chairman of the management committee of a home for the elderly and regularly makes large donations to local charities. He recently paid £5,000 in a charity auction for 2 tickets to a Madonna concert in London.</p>	<p>CANDIDATE'S NOTES</p>
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<p><i>Options for the Future . . .</i></p> <ol style="list-style-type: none"> 1 Accept a takeover offer. 2 Increase advertising and other promotions. 3 Attempt to re-enter the Saudi Arabian market and boost sales in the French and German markets. <p>After careful consideration and consultation with staff, it has been decided to choose option 2.</p>	<p>CANDIDATE'S NOTES</p>
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[SECTION ONE is continued on *Page four*

SECTION ONE

QUESTIONS

Answer ALL the questions.

1. Option 2 was chosen.
- (a) Identify **3** methods of advertising that Tunnock's could use. **3**
- (b) For each of the methods you have identified, describe a different advantage and disadvantage. **6**
2. A takeover is a method of growth. Describe the following methods of growth:
- horizontal integration
 - vertical integration
 - diversification (conglomerate integration)
 - franchising. **4**
3. (a) Describe **2** of the following terms:
- delayering
 - downsizing
 - outsourcing
 - span of control. **2**
- (b) Describe **2** advantages and **2** disadvantages of organising a firm into functional departments. **4**
4. Tunnock's experienced a few problems with the business. Identify **2** of these problems and explain why each of these was a concern to them. **4**
5. Distinguish between an operational decision and a strategic decision. **2**

(25)

[END OF SECTION ONE]

[Turn over for SECTION TWO on Pages five, six, seven and eight

SECTION TWO

This section should take you approximately 1 hour.

Answer TWO questions.

1. (a) Describe the **3** sectors of activity and give an example of an activity that takes place in each sector. **6**
- (b) (i) Describe **3** forms of industrial action. **3**
- (ii) Explain the effects that industrial action has on both an organisation and its employees. **4**
- (c) Describe batch production and give an example of a product that is likely to be produced in this way. **3**
- (d) ICT is widely used by many organisations.
- (i) Describe how the following software packages could be used in the management of stock:
- word processing
 - database
 - spreadsheet. **3**
- (ii) Describe **2** advantages and **2** disadvantages to an organisation of using the Internet. **4**
- (e) Name **2** conditions of service contained in a Contract of Employment. **2**
- (25)**
2. (a) Describe the following types of business organisation:
- sole trader
 - partnership. **2**
- (b) A charity and a public limited company differ in many ways. Explain these differences in relation to:
- objectives
 - human resources
 - methods of raising finance
 - control. **4**
- (c) Suggest methods used by manufacturers to extend the life cycle of a product. **6**
- (d) Outline actions an organisation could take to address cash flow problems. **4**
- (e) (i) Define the term “just in time” production. **1**
- (ii) Outline **2** advantages and **2** disadvantages of “just in time” production. **4**
- (f) Describe the following methods of market research and give an example of each:
- desk research **2**
 - field research. **2**

[OPEN OUT]

(25)

3. (a) Organisations present and receive information in a number of ways. Describe a different advantage for each of the following types of information:
- oral
 - pictorial
 - graphical
 - numerical
 - written. 5
- (b) Identify and describe **3** types of training used to train staff. 6
- (c) (i) Explain how each of the following departments may assist the Operations department:
- Marketing
 - Finance
 - Human Resources. 3
- (ii) Describe each of the following:
- Maximum (economic) stock level
 - Minimum stock level
 - Re-order level
 - Re-order quantity. 4
- (d) Describe the advantages and disadvantages to an organisation of changing from a tall structure to a flat structure. Use diagrams to support your answer. 7
- (25)**

4. (a) (i) Define the following Balance Sheet terms and give an example of each:
- Fixed assets
 - Current assets
 - Liabilities.
- (ii) Outline **3** ways an organisation would use accounting ratios.
- (b) Describe how shareholders could influence a supermarket.
- (c) Job vacancies are often filled using internal recruitment.
- (i) Define the term internal recruitment.
- (ii) Explain **2** advantages and **2** disadvantages of this method of recruitment.
- (iii) Describe the following human resource terms:
- Works Council
 - Aptitude Test
 - Appraisal
 - Person Specification.
- (d) Distinguish between market-led organisations and product-led organisations.
- (e) Many organisations segment their market by age. Name **4** other ways of segmenting markets.
- (25)**

[Turn over for Question 5 on Page eight

5. (a) Describe the following quality measures used by organisations:
- Benchmarking
 - Quality Control
 - Quality Circles.
- (b) Describe 4 stages in a product's life cycle.
- (c) The environment in which organisations operate is constantly changing.
- (i) Identify 4 external factors that may cause change.
 - (ii) Explain an effect each factor identified in (c) (i) might have on the organisation.
- (d) Outline how each of the following might use an organisation's financial information:
- Management
 - Owners
 - Creditors
 - Employees
 - Citizens.
- (e) Managers have many roles in an organisation. Outline 5 of these roles.
- (25)**

[END OF SECTION TWO]
[END OF QUESTION PAPER]

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