

X234/201

NATIONAL
QUALIFICATIONS
2011

WEDNESDAY, 25 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 pages two, three and four.

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



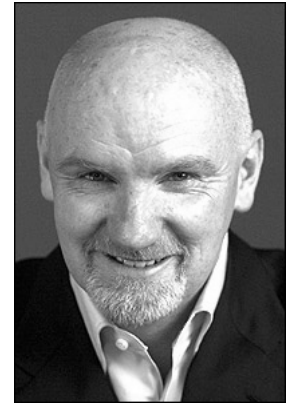
SECTION ONE

This section should take you approximately 45 minutes.

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

£1 bn Giveaway Will Have to Wait

In July 2007, Sir Tom Hunter, entrepreneur and philanthropist (charitable person) pledged to give £1 bn to charity. Come January 2009 he was putting this on hold.



Background

Tom Hunter, the son of a grocer, was born in the small town of New Cumnock, Ayrshire. He started his business career by selling trainers from the back of a van and, in 1989, he opened the first Sports Division store—a business which would make him his fortune. By taking over Olympus Sports in 1995, Sports Division became the biggest sports chain in the UK with over 250 stores and employing more than 7,500 staff.

In July 1998, Tom sold his Sports Division business to JJB Sports for £290 m, approximately £260 m of which went to Tom Hunter himself.

The Hunter Foundation

Despite the threat of heavy taxation, Tom, and his wife Marion, refused to move from Scotland. In the same year as he sold Sports Division, he set up The Hunter Foundation—a charitable venture.

The purpose of this may not have been charitable in the first instance, but over time charitable work became his passion and he has backed The Hunter Foundation enormously. As the wealth of The Hunter Foundation grew, so did its donations to charity both in Scotland and beyond—Band Aid, Live8, Children in Need, the Tsunami relief effort to name but a few.

In 2005, Tom Hunter's efforts were recognised and he was knighted for his services to enterprise and philanthropy.

West Coast Capital

In order to keep funding these charitable projects, Sir Tom founded West Coast Capital in 2001. This is a company that invests mainly in retail, property and management businesses eg Ultimo, BHS and Travelodge.

In 2007, Sir Tom was declared Scotland's first home-grown billionaire—ranking 60th in the Sunday Times UK Rich List with a personal fortune of approximately £1 bn.

Present Situation

At the time of his announcement to give away £1 bn of his fortune to charity, Sir Tom did not foresee what the future would hold. By January 2009 it was obvious that he would have to postpone his decision.

Some say bad timing and too much debt were the main reasons for at least £250 m being wiped from his fortune. With the stock market falling, banks not lending, property prices falling and consumers not spending, this has seen West Coast Capital's stake in some businesses become worthless. This has also resulted in some of these businesses going into administration.

However, Sir Tom is still determined to fulfil his pledge and donate £1 bn to charity, but without the money earned from West Coast Capital he has said that donations will have to be scaled back in the short-term.

Options for the Future . . .

Sir Tom recognised that 2009 would be tough with more challenges ahead but vowed to fight through them. He felt that some of West Coast Capital's investments were holding their own and doing remarkably well in the current climate but tough decisions may have to be made. His options for West Coast Capital include:

- 1 restructure some of its businesses;
- 2 invest more in the ones which are doing well eg supermarkets;
- 3 close some businesses down.

Adapted from: The Scotsman, 5 January 2009; The Sunday Times, 4 January 2009

[Turn over

SECTION ONE

QUESTIONS

Answer ALL the questions.

1. Tom Hunter is an entrepreneur. Describe the role of an entrepreneur. **3**

 2. The Hunter Foundation is a charitable organisation whereas West Coast Capital is a private partnership.
Compare the objectives of a charity with those of a partnership. **2**

 3. All of West Coast Capital's businesses use promotional activities.
Identify and describe **3** methods of promotion that can be used by an organisation in order to attract customers. **6**

 4. Identify **3** problems that have faced Tom Hunter and West Coast Capital and explain why each of these was a concern to them. **6**

 5. One of the possible options for the future is for West Coast Capital to restructure some of its businesses. This could be done by downsizing some businesses.
Describe **3** advantages of downsizing. **3**

 6. West Coast Capital, like all organisations, would draw up a cash budget.
Describe the purpose of drawing up a Cash Budget. **3**

 7. During difficult financial times, many organisations may have to employ staff on a more flexible basis.
Describe the following types of employment:
 - temporary
 - part-time.**2**
- (25)**

[END OF SECTION ONE]

SECTION TWO

This section should take you approximately 1 hour.

Answer TWO questions.

- | | | | |
|----|-----|---|-------------|
| 1. | (a) | Enterprise is a factor of production. Identify and describe the other 3 factors of production. | 6 |
| | (b) | Describe a conflict that could exist between the following stakeholders: <ul style="list-style-type: none"> • Owners and Employees • Managers and Suppliers. | 2 |
| | (c) | Describe 3 types of information. | 3 |
| | (d) | (i) Explain the advantages and disadvantages of grouping an organisation into functional departments. | 4 |
| | | (ii) Describe the role of a manager in an organisation. | 4 |
| | (e) | Identify and describe 3 stages of the product life cycle. | 6 |
| | | | (25) |
| 2. | (a) | (i) Identify 2 sources of finance available to an organisation when looking to expand. | 2 |
| | | (ii) Explain one advantage and one disadvantage for each source identified in (i). | 4 |
| | (b) | (i) Describe the role of the Marketing Department in an organisation. | 4 |
| | | (ii) Identify and describe 2 methods of sampling the Marketing Department could use. | 4 |
| | (c) | Outline ways an organisation could use the following pieces of technology: <ul style="list-style-type: none"> • Videoconferencing • E-mail • Satellite navigation systems • Bluetooth on mobile phones. | 4 |
| | (d) | (i) Describe factors an organisation might consider when choosing a supplier. | 5 |
| | | (ii) Explain possible problems of under-stocking. | 2 |
| | | | (25) |

[Turn over

3. (a) Employees are protected at work by The Health and Safety (Display Screen Equipment) Regulations 1992.
- (i) Identify **3** possible health and safety issues resulting from the use of ICT for a long period of time. **3**
 - (ii) Outline ways an organisation could overcome these issues. **3**
 - (iii) Name and describe **2** other pieces of legislation affecting organisations. **4**
- (b) Describe ways that each of the following might use an organisation's financial information:
- Government
 - Creditors
 - Employees
 - Managers
 - Financial Journalists. **5**
- (c) (i) Distinguish between a tall and a flat organisational structure. **2**
- (ii) Describe the advantages and disadvantages of decentralised decision making. **4**
- (d) Explain the effects of external factors on an organisation. **4**
- (25)**

		<i>Marks</i>
4.	(a)	(i) Describe 3 channels of distribution which an organisation could use. 3
		(ii) Outline factors that might be considered when choosing a channel of distribution. 3
	(b)	(i) Distinguish between job production and flow production. 2
		(ii) Explain advantages and disadvantages to an organisation of using automation (capital-intensive production). 4
	(c)	Describe ways each of the following departments may assist the Marketing Department:
		<ul style="list-style-type: none"> • Finance • Human Resources • Operations. 3
	(d)	(i) Prior to advertising a job, identify and describe the stages an organisation would go through to recruit staff. 6
		(ii) Describe an advantage of each of the following methods of advertising a job vacancy (a different advantage must be given for each):
		<ul style="list-style-type: none"> • Internal • Newspaper • Internet • Recruitment Agencies. 4
		(25)

[Turn over for Question 5 on *Page eight*

5. (a) Describe the type of advice the following individuals/groups could offer an organisation (a different type of advice must be given for each):
- Bank Manager
 - Local Business Owners
 - Inland Revenue
 - Lawyers. 4
- (b) (i) Explain the advantages and disadvantages to an organisation of training staff. 6
- (ii) Identify and describe **3** quality measures (other than training) an organisation could use. 6
- (c) (i) Describe the following financial statements:
- Trading Account
 - Profit and Loss Account
 - Balance Sheet. 3
- (ii) Identify **3** accounting ratios that could be calculated from these statements. 3
- (d) Describe the **3** types of decision a manager can make. 3
- (25)**

[END OF SECTION TWO]

[END OF QUESTION PAPER]

ACKNOWLEDGEMENTS

Section One—Passage is adapted from two sources including “The humbling of Tom Hunter” by Jenny Davey, taken from *The Sunday Times*, 4 January 2009. © The Sunday Times, January 2009.

Section One—Passage is adapted from two sources including “Sir Tom: Yes, I’ve made mistakes and my £1bn giveaway will have to wait” by Lyndsay Moss, taken from *The Scotsman*, 5 January 2009. Reproduced by permission of The Scotsman Publications.