

X234/201

NATIONAL
QUALIFICATIONS
2007

MONDAY, 14 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 and seven.



SECTION ONE

This section should take you approximately 45 minutes.

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

Good-Join

Background

Sean Craig started his joinery business 3 years ago. As a sole trader, he works long hours and takes few holidays. Sean's services are very popular. He has another joiner and an apprentice to help him but he frequently turns work down because he is afraid he won't be able to meet deadlines. Sean's wife, Sophie, helps in the business by ordering supplies, dealing with enquiries and managing all the financial matters. Sean is making a healthy profit from the business. Sophie is keen for him to expand and employ more staff with expertise in various other fields. She also wants Sean to take more holidays and spend time with her and their 2 young children.



**CANDIDATE'S
NOTES**

The Present Situation

When Sean first started his business, his work involved small joinery jobs and repair work. However, over the past year he has been involved in fitting kitchens and bathrooms. While Sean is a trained joiner, he does not have experience in electrical or plumbing work. He has to call on the services of electricians and plumbers in order to complete many of his jobs. Very often the completion of kitchens and bathrooms are delayed because he has to wait until a plumber or electrician is available. This has resulted in complaints from many of his customers. Sophie sees this as bad publicity for the business. She is fed up trying to assure customers that the plumbing and electric work will be completed.

Sean's brother, Alex, is a fully qualified electrician who is keen to leave his present job and join Sean. He has expressed a desire to invest money in the business. Sean's cousin, Dave, who is a plumber has also approached Sean to see if he would be interested in forming a partnership.

**CANDIDATE'S
NOTES**

<p>Sean has been approached by a well-known house builder to install the kitchens and bathrooms in 60 new houses with the opportunity of further work if the builder is satisfied. The builder has stated that all work must be of a high quality and carried out by experienced tradesmen. He has pointed out that the electricians used must be fully trained and be members of the ECA (Electrical Contractors' Association). Plumbers must be members of the Institute of Plumbers. Joiners must be members of the Guild of Master Craftsmen.</p> <p>Sean is keen to carry out this work. However he feels it is a big project which will require experienced staff and a lot of organisation. Sophie feels this is a great opportunity to expand the business. With the added financial help and support from Alex and Dave, she sees no reason for Sean not to expand.</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 Remain as a sole trader. 2 Go into partnership with Alex and Dave. 3 Form a limited company with Sophie and himself as directors and Alex and Dave as additional shareholders. <p>Sean and Sophie have given the matter a great deal of thought and after numerous meetings with Alex and Dave have decided to choose Option 3.</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. | Sean has chosen option 3. Explain 2 advantages and 2 disadvantages of choosing this option. | 4 |
| 2. | Describe one difference between a Public Limited Company and a Private Limited Company. | 1 |
| 3. | Describe the following terms. | |
| | (i) Formal organisation structure | 1 |
| | (ii) Informal organisation structure | 1 |
| 4. | Businesses constantly face changes in their environment. Describe 4 external pressures that Good-Join may have to respond to. | 4 |
| 5. | Sophie helps in the business by ordering supplies. Describe 4 factors which businesses must take into consideration when choosing a supplier. | 4 |
| 6. | Alex and Dave bought shares in Good-Join to help finance the expansion. | |
| | (a) Describe 3 other methods of raising finance that are available to businesses. | 3 |
| | (b) Explain one disadvantage of each method you have described. | 3 |
| 7. | The house builder has informed Sean that work must be of a high quality. | |
| | (a) Name 2 quality standards that firms may be awarded for their products. | 2 |
| | (b) Describe a benefit of a quality standard for customers. | 1 |
| | (c) Describe a benefit of a quality standard for an organisation. | 1 |
| | | (25) |

[END OF SECTION ONE]

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

SECTION TWO

This section should take you approximately 1 hour.

Answer TWO questions.

1. (a) Describe the **4** main stages a product goes through during its life cycle. Use a diagram to support your answer. **6**
- (b) Identify the **3** sectors of activity and give an example of an activity that takes place in **each** sector. **6**
- (c) Training plays an important part in most organisations. Identify and describe **3** types of training used by organisations to train staff. **6**
- (d) Describe **2** costs and **2** benefits to an organisation of training its staff. **4**
- (e) Explain **3** ways a business could benefit from using the internet. **3**
- (25)**
2. (a) Describe **3** methods of production that are used by organisations and for each method give an example of a product that is produced by that method. **6**
- (b) Describe the following human resource terms.
- (i) Contract of Employment
- (ii) Trade Union
- (iii) Works Council
- (iv) Industrial Action **4**
- (c) Identify and describe **3** pieces of legislation that exist to protect employees. **6**
- (d) Explain how each of the following stakeholders can influence an organisation.
- (i) Government
- (ii) Suppliers
- (iii) Employees
- (iv) Customers
- (v) Local community **5**
- (e) One of the roles of an entrepreneur is to combine the factors of production. Name the **4** factors of production. **4**
- (25)**

[OPEN OUT]

3. Listed below is the Trading, Profit and Loss Account, and Balance Sheet of Curtain Call Ltd for 2006.

<p>Curtain Call Ltd Trading, Profit and Loss Account For period ending 31 December 2006</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Sales</td> <td style="text-align: right;">150 000</td> </tr> <tr> <td>Less Cost of Sales</td> <td style="text-align: right;"><u>80 000</u></td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">70 000</td> </tr> <tr> <td>Less Expenses</td> <td style="text-align: right;"><u>20 000</u></td> </tr> <tr> <td>Net Profit</td> <td style="text-align: right;"><u>50 000</u></td> </tr> </table>	Sales	150 000	Less Cost of Sales	<u>80 000</u>	Gross Profit	70 000	Less Expenses	<u>20 000</u>	Net Profit	<u>50 000</u>	<p>Curtain Call Ltd Balance Sheet as at 31 December 2006</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Fixed Assets</td> <td style="text-align: right;">180 000</td> </tr> <tr> <td>Current Assets</td> <td style="text-align: right;">160 000</td> </tr> <tr> <td>Less Current Liabilities</td> <td style="text-align: right;"><u>90 000</u></td> </tr> <tr> <td>Working Capital</td> <td style="text-align: right;"><u>70 000</u></td> </tr> <tr> <td>Net Assets Employed</td> <td style="text-align: right;"><u>250 000</u></td> </tr> <tr> <td>Opening Capital</td> <td style="text-align: right;">200 000</td> </tr> <tr> <td>Add Net Profit</td> <td style="text-align: right;"><u>50 000</u></td> </tr> <tr> <td>Capital Employed</td> <td style="text-align: right;"><u>250 000</u></td> </tr> </table>	Fixed Assets	180 000	Current Assets	160 000	Less Current Liabilities	<u>90 000</u>	Working Capital	<u>70 000</u>	Net Assets Employed	<u>250 000</u>	Opening Capital	200 000	Add Net Profit	<u>50 000</u>	Capital Employed	<u>250 000</u>
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- (a) Give one purpose of each of the following.
- (i) The Trading, Profit and Loss Account 1
 - (ii) The Balance Sheet 1
- (b) Identify and describe **3** ratios that can be calculated from these statements. 6
- (c) For **each** element of the marketing mix, suggest one way an organisation can increase its sales. 4
- (d) (i) Describe and give an example of the **3** main types of decisions large organisations frequently have to make. 6
- (ii) Give **2** examples of **internal** information and **2** examples of **external** information they may use to help them make decisions. 4
- (e) McDonald's and Burger King are examples of franchises.
- (i) Explain the term franchise. 1
 - (ii) Describe **2** advantages for the franchisee. 2
- (25)**

	<i>Marks</i>
4. (a) Explain the differences between a flat and a hierarchical organisational structure. Use diagrams to support your answer.	8
(b) (i) Identify 2 channels of distribution.	2
(ii) Give an example of a product or business that would use each channel.	2
(c) Organisations use various methods when pricing their products. Explain the following methods of pricing.	
(i) Promotional pricing	
(ii) Skimming pricing	
(iii) Destroyer pricing	
(iv) Penetration pricing	4
(d) Large organisations contain many functional areas.	
(i) Identify 3 functional areas of a large organisation.	3
(ii) Describe 2 activities which are carried out in each area you have identified.	6
	(25)
5. (a) (i) Identify 3 methods of field research which are used by organisations.	3
(ii) Describe a different advantage and disadvantage of each method you have identified.	6
(b) Identify 4 forms of ICT (Information Communications Technology) and explain how a large organisation might use each of them.	8
(c) Organisations use various methods to pay their staff. Describe the following methods of payment.	
(i) Time Rate	
(ii) Flat Rate	
(iii) Commission	
(iv) Bonus	4
(d) Describe the selection process which an organisation may use to select the right person for a position.	4
	(25)

[END OF SECTION TWO]

[END OF QUESTION PAPER]

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