


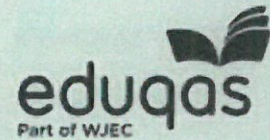


Surname 	Centre Number	Candidate Number
Other Names 	64395	2 

GCE AS – **NEW**



B510U20-1



**BUSINESS – component 2**  
**Business Functions**

FRIDAY, 26 MAY 2017 – AFTERNOON

2 hours

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
Section A	1.	22 ✓ 15 ✓
	2.	14 ✓ 11 ✓
	3.	19 ✓ 16 ✓
Section B	4 or 5 or 6	25 ✓ 23 ✓
Total		80 ✓ 65 ✓

B510U20-1

**ADDITIONAL MATERIALS**

In addition to this paper you will require a calculator.

**INSTRUCTIONS TO CANDIDATES**

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** questions in Section A.

Answer **one** question from Section B.

Write your answers in the spaces provided in this booklet.

If you run out of space, use the continuation pages at the back of the booklet, taking care to number the question(s) correctly.

You are advised to spend no more than 80 minutes on Section A.

**INFORMATION FOR CANDIDATES**

The number of marks is given in brackets at the end of each question or part-question.

You are reminded of the necessity for good English and orderly presentation in your answers.

## SECTION A

Answer all questions from this section.

## 1. More Maltesers

Mars Inc. is a large multinational company with a presence in more than 74 countries. It produces many well-known brands including Whiskas cat food, Pedigree dog food, Snickers, Starburst, Mars Bars and Maltesers.



Maltesers have a long **product life cycle**, having been first produced by Mars Inc. in 1936. Today, the mature brand is still one of the UK's best loved chocolate varieties with an average of 2 individual bags being sold each second. Every hour, the London factory produces enough Maltesers to fill 10 Olympic sized swimming pools.



Mars Inc. have introduced a number of new flavours of Maltesers over recent years as **extension strategies**, including Maltesers White, Fair-Trade Maltesers and 'Malt Easter' mini bunnies. It has also introduced new sizes of packaging including treat bags and tubs. The sales volume of Maltesers increased by 10.5% between 2013 and 2014.

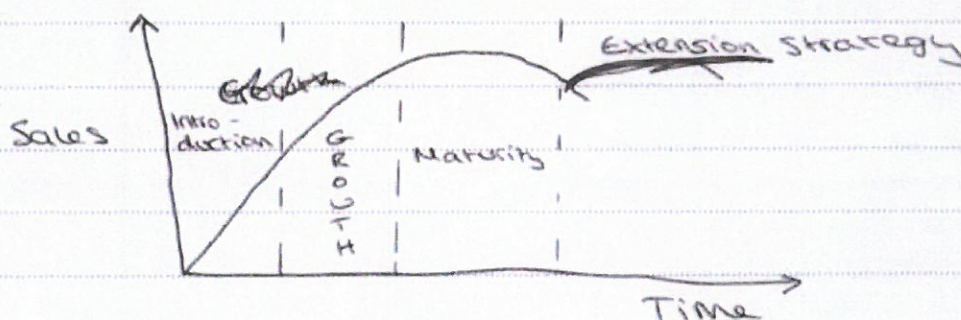
(a) What is meant by the term *extension strategy*?

[2]

The term extension strategy means the actions a business takes to prevent a product's decline in sales.

(b) With reference to the data and with the aid of a clearly labelled diagram, illustrate the *product life cycle* for the Maltesers brand.

[4]



In 1936, Maltesers were in the introduction phase of their brand. This is when the brand was just released.

(c) Evaluate the usefulness of a product life cycle to Mars Inc.

[6]

The product life cycle is useful as it allows companies like Mars to predict possible ~~on~~ sales for their products, and therefore allows them to see whether they want to introduce new products or use a extension strategies, such as the variations of Malteser flavour that Mars introduced.

However, the product life cycle is very general, and external factors may change the sales of products. This would argue that it is not that useful to a company like Mars as it may not be accurate.

Moreover, the product life cycle is useful to such a large company

A02 2  
A03 2  
A04 2

6 ✓

Mars Inc. has 9 factories and 10 offices in the UK with a total of more than 4 000 employees. As a large employer with many different job roles, including graduate trainees, factory operatives, researchers, sales people and management, it will need to constantly carry out workforce planning.

(d) Describe the meaning of the term workforce planning.

[2]

Workforce planning is when the company assesses how many employees they need and with what skills to improve the efficiency of the business.

2 ✓

(e) Evaluate the importance of workforce planning to a business.

[8]

Workforce planning is extremely important to a business, as without it, companies cannot identify the number of staff they need, or the skills they need to have within the business. Without identifying this, businesses would recruit candidates who are not right for the job; and if there aren't enough employees, the ~~eff~~ business is likely to fail ~~as~~ a result of low productivity.

In contrast, workforce planning could be argued to be less important as it causes the business to focus too much on who ~~is~~ is right to work for the business, when they should be more focussed on making sales and growing the business as a whole.

That being said, a counter-argument to this would be that the business would simply not function without the use of workforce planning, as not having ~~the correct workforce~~ the correct workforce would cause the business to struggle with making sales and expanding ~~and~~ because these would not be the right skills among the workforce to do so.

Ans  
Mark

2 ✓

15 ✓

22

## 2. Desk Space

Deskfurn Ltd is a medium sized manufacturer of office desks, based in the North West of England. The factory has the capacity to produce 80 000 desks a year but recently sales have been poor. The managing director, Sarah Sangha, was worried about the situation and called her production manager to a meeting to discuss capacity utilisation. He informed her that in 2016 output of desks was 48 000.

- (a) Calculate Deskfurn Ltd's capacity utilisation for 2016. [2]

$$\frac{\text{Current output}}{\text{Maximum output}} \times 100$$

$$= \frac{48\,000}{80\,000} \times 100 = 60\%$$

- (b) How might this level of capacity utilisation impact on the company and its workforce? [6]

By not ~~using~~ <sup>the</sup> functioning to the maximum output <sup>possible</sup> for the business, Deskfurn may benefit as workers within the business may become less pressurised and <sup>less</sup> stressed, as they are not required to produce as much as they would be if they were to be working at full capacity utilisation.

However, ~~not~~ the business is only working at 60% <sup>of</sup> their possible output. This may be having a negative effect on the business, as workers might feel demotivated, ~~and~~ especially if it is having an effect on their payment.

AO1 2  
AO2 1  
AO3 2

✓  
5

One of the reasons for the recent poor sales has been the expansion of Deskfurn Ltd's biggest competitor Officequip plc. After investing heavily in new machinery, Officequip plc has increased sales by 40% in 2016.

- (c) Explain the ways in which Officequip plc could have benefited from internal economies of scale as a result of increasing its output. [6]

Officequip could benefit from purchasing economies, As their number of sales increase, they will ~~be~~ have more power over their suppliers, and will therefore get better deals on their raw materials by buying in bulk.

They will also benefit from marketing economies of scale. For example, as their profit margin increases, they will have a competitive advantage as they will be able to afford better marketing opportunities such as an advert during prime time television; awarding them brand recognition.

The business can also benefit from managerial economies. As their ~~business~~ organisation grows, they will be able to afford larger salaries and they will be able to hire employees with the best skills.

Furthermore, the business will benefit from technological economies. As they have invested in new technologies, they will have an increase in productivity. They will also be able to afford the maintenance of keeping up their machinery.

A01 2  
A02 0  
A03 2

4 ✓  
11 ✓  
14

## 3. Cash Gifts

John Baker owns a large gift shop situated in a town which has several tourist attractions. The shop is well established but John has found that sales vary greatly during the year, with the summer months having high sales figures because of tourists buying souvenirs. November and December also tend to have good sales figures as the local people shop for Christmas presents. John has produced a cash flow forecast for the next six months.

	£	£	£	£	£	£
	July	Aug	Sept	Oct	Nov	Dec
<b>Sales receipts</b>	<b>65 000</b>	<b>67 000</b>	<b>38 000</b>	<b>38 000</b>	<b>65 000</b>	<b>70 000</b>
Stock purchases	40 000	35 000	25 000	25 000	40 000	38 000
Salaries	8 000	9 000	6 000	6 000	7 000	8 000
Marketing	500	1 000	1 000	750	500	500
Rent	8 000	8 000	8 500	8 500	8 500	8 500
Electricity			6 000			
Insurance			5 000			
Loan interest	1 500	1 500	1 500	1 500	1 500	1 500
Business rates	2 000	2 000	2 000	2 000	2 000	2 000
<b>Total payments</b>	<b>60 000</b>	<b>56 500</b>	<b>55 000</b>	<b>43 750</b>	<b>59 500</b>	<b>58 500</b>
Net cash flow	5 000	10 500	(17 000)	(5 750)	5 500	11 500
Opening balance	3 000	8 000	18 500	1 500	(4 250)	1 250
Closing balance	8 000	18 500	1 500	(4 250)	1 250	12 750

- (a) Plans have been announced for a Christmas Market in the town which will bring in extra shoppers. Sales receipts are therefore forecast to increase by 15% in December which will mean stock purchases will increase by 10% in that month.

Using these changes, calculate the following revised figures for December:

- (i) Sales receipts [1]

$$70\,000 \times 1.15 = \pounds 80\,500$$

- (ii) Stock purchases [1]

$$38\,000 \times 1.10 = \pounds 41\,800$$

(iii) Net cash flow

[1]

$$80500 - 62300$$

$$= \text{£}18200$$

(iv) Closing balance

[1]

$$18200 + 1250$$

$$= \text{£}19450$$

(b) The cash flow forecast shows a negative closing balance for October. Suggest and evaluate **two** ways in which John Baker could solve this problem. [6]

One way in which John could solve this problem is by holding less stock. Holding less stock could be beneficial to John, as he would be saving money that he would be spending on storing his gifts. However, this could be of high risk to John, as holding too little stock would mean that John might not be able to meet all customer's orders.

Another way in which John could solve this problem, would be if he locates a source of finance such as a bank overdraft. As the negative sum is fairly small, it is likely that an overdraft would be possible for

A01 2  
A02 2  
A03 1

5✓



+	-
* Finance	* Just forecast
* Plan ahead	* Does not account for external changes
* Proof to suppliers	* 10

Examiner only

(c) To what extent do the benefits of cash flow forecasting to businesses outweigh its limitations. [9]

One benefit of cash flow forecasting to a business, is that it ~~increases~~ ~~changes~~ allows the business to prepare for setbacks in terms of <sup>finance</sup> ~~closing~~ balance. For example, if one month shows a negative closing balance, the business is ~~not~~ <sup>able</sup> to apply for an external source of finance, in order to avoid <sup>necessary</sup> setbacks.

However, a cash flow forecast is not based on actual figures as it is a prediction of the future. This means that figures may be miscalculated or unrealistic. This is a limitation as if they are overly optimistic, a business may plan to spend more money, ~~etc etc~~ or hold less stock when it is actually needed.

More importantly, a benefit of the cash flow forecast is that a business can identify which months in which the business performs the best. By generating the forecast, a business can understand

AO1 3  
AO3 2  
AO4 2

7

16

19

**SECTION B**

Answer **one** question from this section.

Either,

**4. Hi-Tech Hotels**

- (a) Describe the types of new technology that might be used in marketing a chain of hotels such as Travelodge, Premier Inn or Holiday Inn. [10]
- (b) 'No matter what the product or service new technology will never be able to replace more traditional methods of marketing.' Discuss this statement. [15]

Or,

**Lean Electronics**

- (a) Describe the methods of lean production which might be used in a large electronics manufacturing business such as Sony, Samsung or Apple. [10]
- (b) Discuss the view that all stakeholders of a business will benefit from its use of lean production. [15]

Or,

**Delivering Training**

- (a) Describe the methods which a national parcel delivery business such as Parcelforce, FedEx or UPS could use to train its staff. [10]
- (b) Evaluate the importance to businesses of carrying out staff training. [15]

\* Cell production  
\* Kaizen  
\* Kanban  
\* Simultaneous Engineering

12

\* On-the-job  
\* Off-the-job  
\* Mentoring  
\* Graduate Scheme  
\* Apprenticeship  
\* Job rotation  
\* Induction

Examiner  
only

Answer the question from Section B using the following pages.

5a) One method of lean production that a large electronic manufacturer may use is cell production. This involves members of staff working together on the same

6a) One method of training that a parcel delivery service may use is <sup>induction</sup> ~~on-the-job~~ training. This means that the employee would be trained on-the-job when they begin work, to make the employee more comfortable with the business' environment as a whole, as opposed to the specific job. For example, on the employees' first day, they would

Moreover, a business such as FedEx may train its staff using mentoring. This is when a more experienced, senior member of staff trains the new employee. This might take place by the new employee going out on the deliveries with their specific mentor, and observing how the mentor delivers the parcels.

In addition, a business such as

UPS may train their staff using an ~~graduate scheme~~ ~~as a~~ ~~external~~ external training scheme. This usually involves the new staff being trained by a company which specializes in staff training. This may take place at a college, or local centre. This may apply for a business such as UPS if they are training employees to work in the mailroom, and require training in communication or <sup>customer</sup> service.

Further more, a parcel delivery service may use a <sup>graduate training</sup> ~~apprenticeship~~ scheme to train ~~their~~ their employees. This is when staff are trained for a specific job, and the business is given a subsidy for each graduate on the scheme. This may be appropriate for UPS as the new staff will know, for example, how to correctly drive the delivery vehicles and how to carry out the deliveries safely and efficiently.

Finally, ~~the~~ FedEx might use job rotation to train their

+	-
* ↑ motivation	* costly
* ↑ productivity	* disrupts production
* ↑ confidence	* time consuming
* ↑ flexibility	* slow production

Staff. This involves the employee carrying out tasks that require a certain skill, and then ~~then~~ completing a different set of tasks that require a different skill, and so on until they are fully trained. For example, the employee might drive the delivery van to certain locations. Then they might have to carry out deliveries for different customers, and so on.

A01 5  
A02 3

✓  
8

(b) Carrying out training is very important for a business, as it increases flexibility within a workforce. For example if staff have been fully trained using job rotation, the business can benefit from ~~a~~ a multi-skilled workforce, meaning that staff can perform tasks that involve many different ~~skills~~ skills, which improves the ~~business~~ business' efficiency.

However, training can be very costly for a business. For example, if staff are being

trained using an off-the-job method, the business will be spending lots of money on this. This can limit the importance for training, especially if the training is not effective, ~~or~~ which cannot be controlled off-the-job.

To counter-balance this point, training can be very cost effective, as a method such as mentoring is not expensive, and the training provided is specifically targeted by the business. ~~It~~ In addition, having a trained workforce may cause the business to benefit in the long-term financially, as jobs are carried out more efficiently which is extremely important to any business.

Another factor to argue that training is not important, is that training may lead to ~~a~~ slow production if the worker has not been trained properly. If training has not been effective, the staff will still be unable to perform their jobs correctly, which

will cause the business to suffer. This suggests that ~~training~~ training is not important, as most of the time, training is ineffective <sup>so</sup> and will slow down the business.

However, if training has been effective, ~~staff will benefit~~ the business will benefit, as staff will feel more confident, as they are fully equipped with the correct skills to perform their job, which will most ~~likely~~ increase their productivity. Therefore this argues that training is extremely important, as long as the business invests in effective training methods.

In contrast, not only can the production be slowed if the employee is not fully trained, but if a method such as mentoring is used, production may be slowed down as a experienced staff member is using their time to train the employee, as opposed to focussing on their

A01 3  
A03 6  
A04 6

✓  
15

END OF PAPER

For continuation only.

b) for public consumption, meaning sales would be low. The brand then reached it's growth stage, as the products were bought more due to the name becoming more well known. The brand then reached the peak of it's sales, which is the maturity stage. To stop the sales from decreasing and reaching the decline stage, the ~~the~~ Mars company released variations of the product as an extension strategy, meaning the maturity phase was extended and sales increased.

c) such as Mars, as they have a very large variety of products to manage, meaning that the life cycle may help them to compare different products to show them which are stronger than others.

However, as Mars ~~to~~ manage so many products, it may be ~~an~~ very time consuming to provide a diagram for each product, ~~or~~ suggesting it is not that useful.



3b) John, ~~as~~ <sup>which</sup> ~~the~~ would ~~be~~ allow him to cover all of his costs ~~until~~ <sup>until</sup> his incoming cash could repay it. However, this might not be beneficial in the long-term as repaying the overdraft may causing his cash flow to suffer further.

Although it can be risky, I believe John should hold less stock as it would allow him to save costs in the short-term, until his ~~can afford to be~~ incoming cash is enough to recover stock levels.

2b) This level of capacity utilisation may also have a negative impact on the business, as they are not maximising ~~the~~ profit levels. This decrease in sales will have a negative effect on their profit margin, which may cause them to struggle ~~to~~ <sup>cover their</sup> fixed costs. Unit costs are also less spread <sup>out</sup>.

In contrast, ~~although they are~~ ~~having lower~~ ~~sales~~ ~~revenue~~ a potential positive for the business, would be that managers have more time to plan in terms of objectives and future ideas.



Write the two digit question number *inside* the boxes next to the first line of your answer

## Answer

Leave blank

1 e Workforce planning is, however, less important to such a large business, as there is such a high level of people employed, that ~~the~~ a constant focus on workforce planning would take up too much time for the business. In addition, it could be argued that a ~~too~~ workforce will never be perfect, so it is more important for a company to focus on training staff to do the job correctly.

In conclusion, I believe that workforce planning is essential for a business, especially for those who are planning to grow and succeed.

*see*

3 c When they should be producing more or less, and perhaps when they should be spending more on advertising in struggling months. For example, John Baker may want to spend more on marketing in October in the hope to prevent a negative closing balance.

~~For~~ In contrast, a cash flow forecast does not account for external changes a business may face, which will effect sales and expenditure. For example, the forecast does not consider

leave blank

leave blank

leave blank



Write the two digit question number *inside* the boxes next to the first line of your answer

Answer

Leave blank

3 c

inflation or changes in fashion or taste. This is a limitation, as it may cause the business to be unprepared for these sudden changes if they are following the forecast too closely.

In conclusion, I believe that the benefits of the cash flow forecast do outweigh the limitations, especially for businesses that are just starting-up, as it allows a business to be more prepared and improve its eligibility to receive external finance.

6 b

jobs. This would suggest that training is not important to a business as it will only lead to slow production. Instead, the business should focus on ~~emp~~ recruiting employees who already have the ~~re~~ required skills.

In conclusion, I believe that training is essential to any business, as preparing workers with the correct set of skills to perform their job not only benefits the ~~business~~ employee, but also benefits all aspects of the business such as high productivity, a motivated workforce and lower levels of labour turnover, and <sup>lower</sup> absenteeism due to stress.

