

55

For examiner use

53

Examiner's initials

MR

Question number	Mark
1 a	0
b	6
c	8
d	3
e	7
2 c	3
b	5
c	7
3 a	4
b	10
Total	

- Use black ink or ball-point pen.
- Write the information required in the spaces above.
- Use both sides of the paper.
- Write the question number in the left-hand margin.
- Rule a line across the page after each answer.
- Do all your rough work in this answer book and cross out any work you do not want marked. Do not tear out any part of this book. All work must be handed in.
- Write the numbers of the questions you answer in the order attempted in the left-hand column of the boxes opposite.

Write here how many answer books you have used. If you have used two or more books, please insert all additional books inside the first book.

<del>ii</del>	One of the main advantages of the break even
1b	analysis is that it allows for visual understanding of a <del>company</del> companies, such as Five Farms Ltd break even and profit and loss situation. It is a clear diagram and can be used at a glance and can be used by anyone, even if they are not a financial expert, such as Jenny Harris, who is a manager.
	Another advantage is that it allows a what if analysis. Jenny could use the break even analysis to find out questions that may improve the planning and therefore success of the Five Farms Ltd, such as, what would <del>the</del> the break even point be if variable costs <del>change</del> changed from the current £90, to a different value.
<del>iii</del>	A final advantage of the break even analysis is that it allows Jenny to work out her margin of safety, the difference between output and break even point and therefore how many sales can drop in order to still break even. This again aids planning, but may also be used as a way of securing any additional finance if Jenny can show her margin of safety is good.
1c1	penetration pricing policy is where a low price is charged for a short or perhaps long period of time when a new product first enters the market; such as Jenny's Hampers. Penetration pricing has the aim of gaining market share and is most likely used by large businesses targeting a mass market.

Centre Number 64305

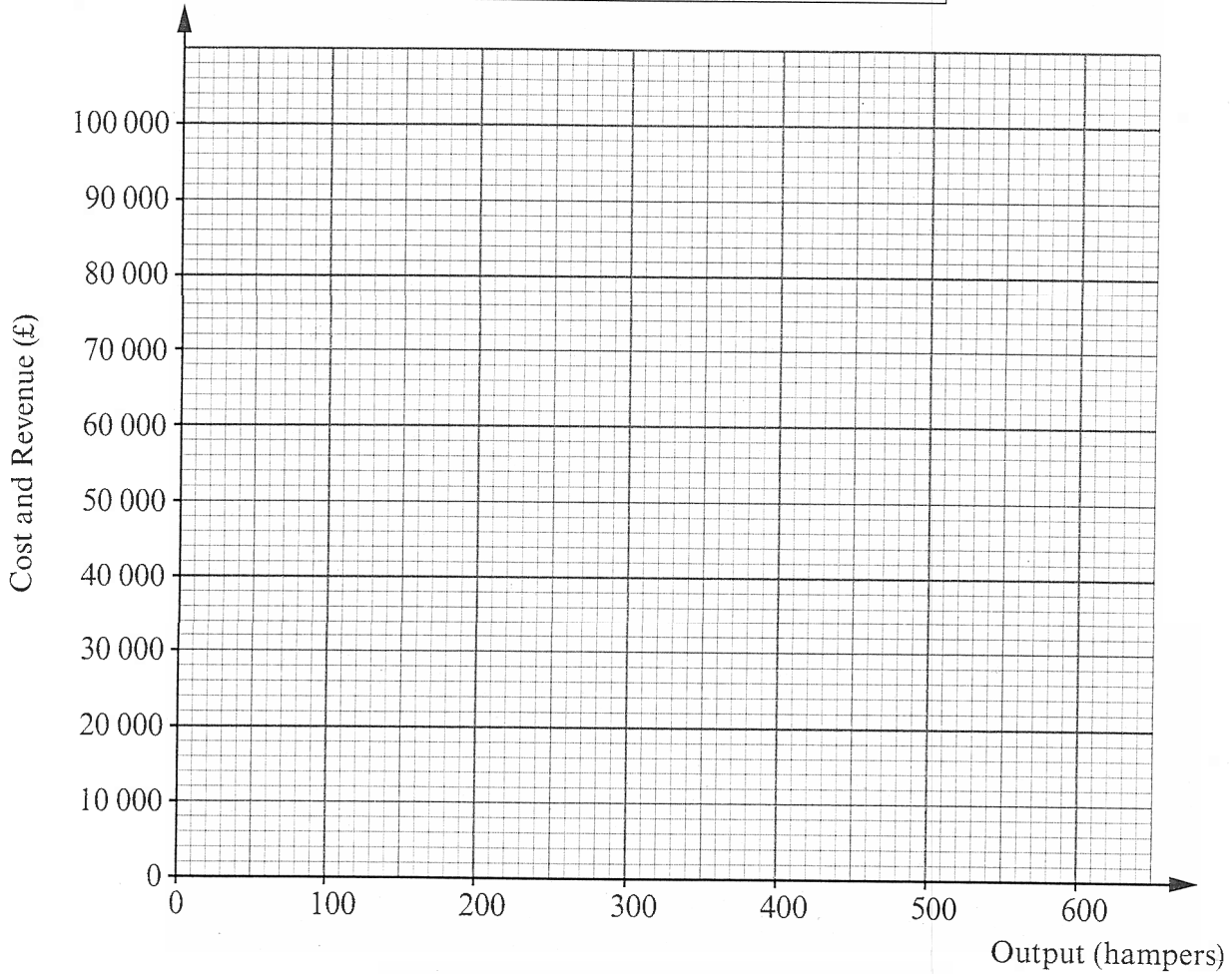
Candidate's Name (in full) Ciara Haidon

Candidate's Examination Number 7105

**Five Farms Ltd's break-even chart for hampers**

Break-Even Output =

Tear along dotted line and place this page in your answer book



Margin of Safety =

TEAR OUT AND PLACE THIS PAGE IN YOUR ANSWER BOOK

1011 TOM Hibbard sees Jenny's pricing policy of a premium price of £140, which is a skimming policy as wrong. This could be argued with by arguing that by selling at a premium price, it will not gain market share/penetration pricing would. Because FIVE FARMS Ltd business is already 'slow', it may be necessary to charge a lower price in order to gain market share and sales.

It may also be argued that by charging a higher price, it limits the market. A lower price would however be aimed at the mass and by charging a lower price, it would in turn give the business a competitive edge if loyalty was gained in such a profitable market <sup>£75 million</sup>.

However, in my opinion, TOM Hibbard's view is incorrect. Jenny's skimming pricing strategy seems suitable for a number of reasons. The first is the fact that by charging higher prices, Jenny would in turn be increasing her profits. This would reduce the need to lay off staff highlighted as an issue and would therefore keep the workforce motivated. Also, Jenny's hampers are ~~quality~~ <sup>high quality</sup> products with a USP of local sourcing. To keep desirability up and promote the quality, a higher price would need to be charged as ~~quality~~ a low price may lead to questioning of quality. Jenny is aiming at a niche market, it's a specialist market but worth a lot, '£75 million', it is therefore not about lowering prices, it's about try to get the most out of the market. Finally, because Jenny has carried out market research, where high prices are being charged by other ~~the~~ competitors, it strengthens her pricing decision and it is also relevant as she is targeting high end, wealthy customers.

1d	<p>A USP is a unique selling point, it's what differentiates the product from competitors. Five Farms USP is the local sourcing.</p> <p>one benefit of having a USP is that you can stand out from the market, differentiate yourself so customers can easily identify your product. This would be important for Five Farms as the hamper market is highly competitive. It also allows a higher price to be charged, in this case due to the high quality, increasing profits and it may create brand loyalty and repeat purchases.</p>
1e	<p>one main issue to be considered is the place, where would the hampers be sold. Terry identified an online website. The five managers would have to consider the cost of designing and maintaining the website, the benefits it would bring such as access to larger markets, convenience.</p> <p>The 5 owners would need to consider if the internet is the best place to sell their hampers and link it with the distribution channels and in turn, the packaging; design, weight.</p> <p>Another issue to be analysed is the promotion of the hampers. New work may raise awareness. Terry identified the need for extensive advertising, which would be <del>at</del> above the line and would be through independent media such as newspapers and magazines. They may consider below the line promotion as a way of directly targeting the market, such as trade magazines. The 5 owners would need to</p>

take into account the costs of both types of promotion and their effectiveness in achieving the aim of promoting quality.

Also, the owners would need to consider the costs of the equipment needed to put the hampers together. There may be a need for finance to invest in capital or market research on the best way of packaging hampers to be efficient in distribution channels.

Finally, the 5 owners would need to consider stock control. How they would manage their sourcing and the appearance, design and product mix of the hampers.

100

7

24

2a i Lean production is the continuous improvement and effective management of reduction and elimination of waste. Waste is anything that doesn't provide added value.

2a ii Lean production means methods of improving waste and would benefit Nissan as it would mean they would be reducing waste and inefficiency and instead provide added value. The concept of Lean production would mean that the employees in the supply chain would understand the effectiveness of removing waste by using Just in time, it would allow them to understand and trace waste through kaizen groups and may motivate workers to continually improve the productivity of Nissan. Lean production also makes a firm desirable and shows a business philosophy of commitment which may



# Stock waste - damage.

Question number

Leave Blank

1	increase and enhance reputation and therefore increase loyalty and sales.
<del>2a</del>	Just in time is a system of stock control that is sensitive to customer demand and uses low stock holdings.
2b	One main advantage of adopting just in time is that it reduces cash outflows on stock and enables businesses more working capital to run and finance the business. It means because stock is ordered on a regular basis, cash is not tied up on large stock holdings and allows more space for increased productivity.
	Another benefit is that it operates a system of elimination of waste. Stock is not stored and wasted due to high chances of damage. It also means that companies such as Nissan only get stock when they need it, it is efficient.
<del>3</del>	A final advantage is that it allows for regular stock rotation. Due to small but regular deliveries of stock, companies can change stock easier, for example if it is not efficient enough or does not fit with the product design, such as a car door, and due to <del>the</del> smaller amounts of stock, they can rotate faster without the need to use large amounts of stock up front.

2

5

reprog

learn. Break  
expense down...

Question  
number

Leave  
Blank

20 Robotic technology is a system of automated machines which can act independently.

car manufacturing uses heavy materials and machinery. It may therefore be more appropriate to use robotic technology as they are not affected by hard physical tasks, nor are they likely to need breaks, they can work 24/7, increasing productivity.

Robotics are also easier to manage compared to employees, there is no need to motivate them, saving management time. Nissan may be able to increase productivity as robotic technology can work faster than employees and therefore reduce costs.

Also, robotics can be used for dangerous tasks ~~is~~ involved in manufacturing cars, reducing risks to employees. Also, robotics can be ~~re-programmed~~ re-programmed to carry out different production lines, employees would have to be trained, increasing costs.

On the other hand, employees may be cheaper than robotics. The capital investment in them may be larger than a salary or a wage.

Also, when robotics break down, production stops for a long time and is expensive. Labour are less likely to be as expensive when they are ill, and most of the time, labour productivity may just increase to cover absence.

Finally, employees are key to lean production.



It is groups of workers who find problems with wastage through teamwork to evaluate;

A robot ~~is~~ will not be able to contribute to ways of improving ~~the~~ wastage in ideas and conversations, but may do increase productivity, which is key to Nissan. On the other hand, it is the employees who would be involved in the monitoring of lean production and so also ~~are~~ are of high value to Nissan.

7

(15)

3 a The purchasing department are key to the effectiveness of tesco in reducing costs and therefore allowing money to be re-invested for consumer benefits.

- Get a request for item
- Research product and negotiate price.
- ~~make~~ place an order.
- follow up order
- check invoice.

purchasing are key to sourcing good quality products, but other departments are also key, such as the finance department of budgeting, the production department of effectively and ~~to~~ productively producing goods.

4

3b. Motivation is the willingness ~~of~~ or desire to do something because you want to.

TESCO implements both financial and non financial benefits to motivate staff.

Money as the prime motivator links to the theories of Taylor and ~~the~~ McGregor, money X manager and Herzbergs hygiene factors.

Taylor believes that employees are lazy and are only motivated by money. A money X manager also believes this and sees employees as lacking ambition and only work for a financial reward. Shown by their lack of care or commitment.

It does not seem the case in TESCO that employees are lazy, but the financial incentives can be linked to Herzbergs hygiene factors. The fact that ~~the~~ TESCO provides financial incentives, such as the competitive salaries and staff discount, is more of a way of preventing dissatisfaction rather than motivating. The financial incentives are the 'extras' atop of motivating.

However, as mentioned before, Taylor and Theory X manager's would disagree. They see the financial benefits as a way of

encouraging employees to do tasks. They believe that employees are not willing to be involved in the system, they lack any commitment, perhaps shown by 'not wearing a suit' and therefore financial incentives bribe employees.

However, it is clear that this is not the case. In the extract, employees such as Vicky, are motivated by non-financial incentives.

TESCO offer many 'opportunities', which suggests that they are a company that likes to empower employees and can be linked to theory y theories of delegation and opportunities for success.

TESCO also allows Vicky to 'motive in her career', this again relates to the idea of promotion and empowerment and job enrichment, linking to Maslow of status.

The fact that the TESCO team are 'helpful' and 'welcoming' again relates to induction training and the idea of involvement to motivate employees, with the relaxed atmosphere and ability to not wear a suit meant a large amount of flexibility and can be related to satisfaction or motivator factors of Herzberg, where employees feel welcomed and part of the company, as well as Maslow's social needs.

The fact that Vicky's roles change, suggest job rotation as a way of motivating, and allow Vicky to ~~have~~ have responsibility over her work, which increases her motivation by the trust instilled in her.

Finally, the idea of teamwork suggests a staff orientated approach. Listening and involving others as a way of motivating which can be linked to ~~the~~ Theory Y of ~~the~~ team based decisions and the use of social interaction from Maslow's theory.

To conclude, it is clear that on the whole, although ~~the~~ tesco use alot of financial incentives, consisting of mainly fringe benefits, when reading the extract and understanding Vicky's view, she makes no reference to the financial methods of motivation and instead focusses on ~~the~~ new tesco broader and wider her opportunities, with ~~the~~ financial methods simply being a ~~method~~ a response to ~~the~~ physiological (basic needs) Maslow and prevention of dissatisfaction (~~Herzberg~~ Herzberg).

111

10

14