

Surname	Centre Number	Candidate Number
Other Names	64395	2



GCE AS

B510U20-1



S18-B510U20-1



BUSINESS – AS component 2
Business Functions

FRIDAY, 25 MAY 2018 – AFTERNOON

2 hours

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
Section A	1.	16
	2.	23
	3.	16
Section B	4 or 5 or 6	10 25 14
	Total	80

B510U20-1

ADDITIONAL MATERIALS

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.

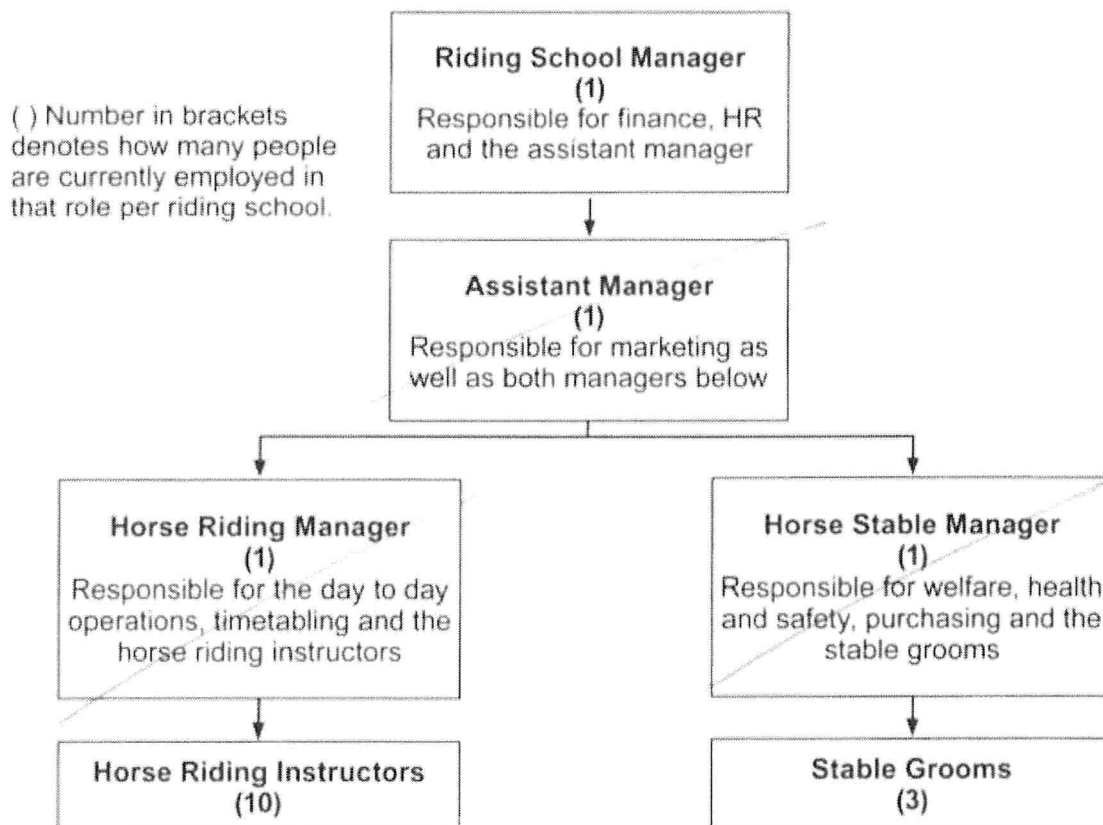
SECTION A

Answer all questions from this section.

1. Organisational change at Power Ridings?

Power Ridings Ltd is a medium-sized business based across the South of England that provides horse riding lessons to most age groups. The business has six riding schools altogether and the managing director, Sara Power, has provided the following information on the current organisational design of the business:

Figure 1: Current organisational structure of **each** riding school.
Each riding school manager reports directly to Sara:



The company operates a centralised structure where all business decisions are made by Sara through a clear **chain of command**.

To improve performance, a **business adviser** suggested **delaying and removing assistant managers, horse riding managers and horse stable managers** from each riding school and increasing the **span of control** of the riding school managers. The business adviser also suggested **empowering** the workers at the **bottom** of the organisational structure.

The business has a reputation of providing consistently **high quality** riding lessons with the price charged for each lesson being above the industry average of £40. Sara uses a strategy of **40% cost-plus pricing** and is keen to find out what her prices would become if she went ahead with the adviser's recommendations.

(a) What is meant by the term 'chain of command'?

[2]

2

(b) (i) What do you understand by the term 'span of control'?

[1]

(ii) Taking into account the business adviser's proposed changes, what will be the new span of control of the riding school managers?

[1]

Sara calculated that on average it would cost £25 to provide each riding lesson after delayering had taken place.

(c) Based upon her 40% cost-plus pricing strategy, calculate the average selling price of each riding lesson after delayering has taken place.

[2]

2

$$40\% \times 25 = 10$$

$$15 \times 40\%$$

$$25 + 10 = \underline{\underline{£35}}$$

$$25 + 10 = \underline{\underline{£35}}$$

(d) Advise Sara whether to go ahead with the business adviser's suggestions.

[10]

10

For

- communication
- costs
- empowerment

Against

- morale
- pressure

[Faint, illegible text covering the majority of the page, likely bleed-through from the reverse side.]

16
16

2. Performance at Domino's



Domino's Pizza Group plc is one of the world's leading pizza making companies. The company started as a single pizza store in 1960 in the United States of America, and today operates in over 60 countries worldwide including Japan, India and Brazil. Throughout its expansion Domino's has had to change its marketing mix to appeal to different countries.

In recent years, Domino's has invested heavily in m-commerce in the UK as it is one of the UK's fastest-growing online markets. The Domino's app has been downloaded over 10 million times on smartphones and tablets in the UK. Strong sales growth has been linked with increased sales made via the Domino's app which contributed to over 50% of all online sales in 2015.

Figure 2: Extract from Domino's Pizza Group plc UK Profit and Loss Account (Income Statement):

	2015	2014
	£m	£m
Sales revenue	317	295
Cost of sales	193	185
Expenses	51	56

- (a) Apart from increased sales, explain **one** other benefit to Domino's of using m-commerce. [3]

3

(b) Explain why Domino's might adapt elements of its marketing mix for different countries.

[6]

Examiner only

5
2-1
3-2

Product Name's

Price - cheaper in lower income areas

Place - centers

Promotion - things they see = kids

(c) Using an example relevant to Domino's, define the term 'cost of sales'.

[2]

2

Cost of Sales = opening stock + expenditure - closing stock

- (d) (i) Using **Figure 2**, calculate Domino's gross profit margin for 2014 and 2015. Present your answer to two decimal places.

[4]

Examine only

4

$$\frac{\text{Gross Profit}}{\text{Sales rev}} \times 100 = \frac{\text{Sales} - \text{Cost of Sales}}{\text{Sales}}$$

~~2015~~ Gross Profit = Sales - Cost of Sales
 = 317 - 193
 = £124

Please See Continuation Paper

- (ii) Using **Figure 2**, calculate Domino's net profit margin for 2014 and 2015. Present your answer to two decimal places.

[4]

4

$$\frac{\text{Net Profit}}{\text{Sales rev}} \times 100 = \frac{\text{Gross Profit} - \text{Expenses}}{\text{Sales}}$$

Net Profit = Gross Profit - Expenses
 2015 = 124 - 51 2014 = 110 - 56
 = 73 = 54

Net Profit Margin = $\frac{73}{317} \times 100 = 23.03\%$ ✓
 2015 for 2014 please see Continuation Paper

- (iii) Assess the financial performance of Domino's Pizza Group plc over the two years.

[4]

2

20

23

3. R&D and production in the car industry

Tesla Motors specialises in producing electric cars and in 2016 planned to produce between 80000 and 90000 electric cars. In 2016 Tesla Motors also announced that it is on track to produce 500000 electric cars per year from 2018, as it boosts investment in flow (mass) production. Tesla's share price increased at the announcement of this news, even though the company losses have deepened due to its expansion costs.

The Morgan Motor Company Ltd on the other hand, has been hand-making their specialist classic cars and sports cars since 1910 by very highly-skilled workers, using job and batch production techniques. The company makes just over 1300 cars per year and its Plus 8 model takes 30 days to build with average customer waiting times of 6 months for delivery.

Although both companies produce cars differently, both value the importance of research and development in enhancing their product ranges.

- (a) Discuss the appropriateness of the production methods used by Tesla Motors and the Morgan Motor Company Ltd. [8]

Handwritten student response on lined paper. The text is partially legible and appears to be a discussion of production methods. Key phrases include 'Tesla producing so much', 'needed for demand', 'Morgan', and 'more expensive'. The handwriting is in blue ink.

8

(b) Consider the benefits and costs of research and development to businesses.

[8] 8

<u>R+D.</u>		
<u>for</u>		<u>Against</u>
✓ better resources & useful		↳ expense more money
✓ helps understand produce		↳ loss with it?
✓		

16
16

SECTION B

Answer one question from this section.

Either,

4. Future Finance

- (a) Describe the different sources of finance available to a new small business in comparison to a large established company wishing to expand. [10]
- (b) 'Budgeting is always beneficial to the stakeholders of a business.' Discuss this statement. [15]

Or,

5. Fizzy Marketing

- (a) Describe the different types of below-the-line promotional strategies that a soft drinks producer such as Coca Cola or Pepsi Co could use to increase sales. [10]
- (b) 'No business can succeed in the long-run without an effective marketing department.' Discuss this statement. [15]

Or,

6. Human Happiness

- (a) Describe the different non-financial methods of motivation a tourist attraction business such as a theme park or a zoo can use to motivate its workforce. [10]
- (b) 'A business can only be successful if it has positive employer/employee relationships with minimal conflict.' Discuss this statement. [15]

training *empowerment - work*
reward *empowerment - power*

ACAS *trade unions*
Industial action
min wage

For continuation only.

$$\begin{aligned} \text{d.i.) } \text{gross profit} &= \text{Sales} - \text{cost of sales} \\ 2015 &: 317 - 193 & 2014 &: 295 - 185 \\ &= \text{£}124 \quad \checkmark & &= \text{£}110 \quad \checkmark \end{aligned}$$

$$\begin{aligned} \text{gross profit margin} &= \frac{\text{gross profit}}{\text{sales rev.}} \times 100 \\ 2015 &= \frac{124}{317} \times 100 & \& \quad 2014 &= \frac{110}{295} \times 100 \\ &= 39.12\% \quad \checkmark & &= 37.29\% \quad \checkmark \end{aligned}$$

$$\begin{aligned} \text{d.ii.) } 2014 &= \text{net profit margin} = \frac{\text{net profit}}{\text{sales rev.}} \times 100 \\ &= \frac{54}{295} \\ &= 18.31\% \quad \checkmark \end{aligned}$$

Word Processor cover sheet

Please read the attached notes before completing this form.		Room 938 PM
Examination series	Summer 2018	

Centre No	64395
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Candidate No		Candidate name	
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Examination for which a word processor was used

Awarding body	Specification title	Specification entry code	Unit/ component
WJEC	Business Component 2 Functions	B510U20-1	

Comments (if appropriate):

Some questions were answered in the answer booklet.
(Please select the appropriate response)

Yes No

Date 25/05/2018

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1a) A chain of command is a link between the layers of a hierarchy. Through these links information and orders are passed down through the hierarchy.

1b) Span of control is the number of employees one worker is responsible for. For example, the Horse Riding Manager has 10 people in their span of control as there are 10 riding instructors.

c) There will be thirteen people in the riding school manager's span of control. 10 riding instructors and 3 stable grooms.

d) The business advisor suggested for Sara to delayer and remove the assistant manager, horse riding manager and horse stable manager from the hierarchy. This would give a much flatter organisational design which could be very beneficial for a company like Power Ridings. This structure allows communication to happen a lot faster as instead of it being passed through the assistant manager to the horse riding manager to the riding instructor it is passed directly to them. This removes the possibility that there will be an error through the communication chain and therefore means the task is more likely to be done as intended, saving the company time and money.

On the otherhand, delayering can make the remaining employees feel insecure in their jobs

and, according to Maslow's hierarchy of needs, security is one of the major motivators. By making employees uncertain it could mean that their job satisfaction is lowered and they

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may be inclined to leave, increasing labour turnover. Having a high labour turnover for a company like Power Riding Ltd is impaticularly difficult as to be a horse riding insturture requires skill that most people lack and therefore the recruitment and training costs would be high.

But, the advisor also suggested empowering the workers at the bottom of the organisational structure. Increasing the power that these employees are given is a major motivator as they feel entrusted to perform the task and therefore will want to do it to a very high standard. However, if they are given too much power and too many tasks they could feel under a lot of pressure and stress, as they may not beileve that they have the correct skills and training to carry out the tasks, such as health and safety responisibilities they have to cover without the Horse Stable Manager. This may cause absenteeism to increase, as they have to take time off to cope. Having a high absenteeism would be majorly effecing the running of the company as there would only be 13 remaining employees who would then have to carry out their work. For this reason I do not think that Sara should delayer her company as there are too few employees to cope with the workload they would have to take on.

Overall, I do not think that Sara should take the business advisor's advice because I do not believe that her business is large enough to cope with the extra workload. But, if it is

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implemeted correctly and the employees have the correct training she may be able to effectively delayer.

2a) Another benefit for Dominoes of using m-commerce is that it can reduce marketing costs. If the customer has downloaded the app once then it will remain on their phone, as most people look at their phones relatively frequently it means that they will constantly be reminded of that business. This may cause them to sub-consciously make a decision to choose their pizza over Pizza Hut. Therefore, after some initail marketing, they will be able to reduce their marketing costs, as they no longer need as many adverts.

b) Dominoes may adapt elements of its marketing mix for different countries due to changes in social norms and tastes.

Dominoes may change some of their products depending on the country that they are located in. For example, in the US they may have different pizza preferences to the UK and therefore they would carry out market research to find out customer preferences are in that country to ensure that their pizza will be demanded. In addition to this, there are cultural differences throughout the world that company's such as Dominoes need to acknowledge, for example, in certain countries Beef is a sacred meat and therefore it may be seen as culturally unacceptable if Dominoes sold many pizzas with beef on.

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Another element of the marketing mix they may change for different countries is the price of the product. In countries generally earning less they will charge less for their pizza, to allow the demand to be secured, as nobody will demand it is it takes up the majority of their disposable income. In addition to this, they may change their prices within counties, for example, the South of England is said to have a higher disposable income than the North, in this case dominoes would charge less for a pizza in the North to allow demand to be maintained.

c) The cost of sales is the opening stock and expenditure minus the closing stock. For dominoes, this may include flour and yeast, how much they have in their opening stock plus how much they buy minus the amount they end with.

d) Please see booklet

e) Please see booklet

f) Over the past two years dominoes has has a relatively low gross and net profit margins, at 39.2% and 37.29%. In 2014 the difference between the gross and net profit margins was 18.98%, this shows us that they have lots of expenses as this difference is so high, and so to improve this they should lower their costs. However, between 2014 and 2015 both the gross and net profit have improved, showing that they have recognised this and made changes to improve.

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3a) Tesla Motors uses flow production to produce their cars. Due to the fact that they have the demand to produce 500 000 electric cars per year this method may be very suited to them. However, as Tesla previously only sold around 90 000 cars before it meant that there was a uniqueness in owning a Tesla car and it gave the brand a luxury appeal. As they are now planning to produce so many it means that this desire may be lost as it is easier to purchase one. Whereas, Morgan Motors is only producing around 1 300 cars per year which makes them seem extremely exclusive to any potential customer.

On the other hand, using flow production is very beneficial financially; as it can provide

Tesla with economies of scale, which massively decreases their costs of producing the cars.

On the contrary, Morgan motor's costs would be extremely high as they have to create each car individually. Additionally, Morgan Motors hires highly-skilled workers to create the cars, to allow them to be to the best they can, which means that wages increase as you have to pay them extra for their skills.

But, job production allows for each product to be individually suited to the customers needs as they are made specifically for them. Even with batch production it is easy to change the machinery to work to the customers wants. Whereas with flow production, all of the cars are identical, this can make them more accurate but a fault in the machinery can cause

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D2 damage to many cars, for example not fitting the brakes properly, which will be very expensive to Tesla as they may have to pay for compensation.

D4 Overall, I think that job and batch production would be most appropriate for both companies because, despite the fact that it is more expensive, it allows them to change the car to make it unique for the individual, which is a massive influencer for people when they are purchasing a car. However, as Tesla is a fast growing company they may find that flow production is more suited to their business and therefore may prefer flow production, as it is cheaper.

B3 *✓* b) One benefit of research and development to a business is that it provides them with important information about their product and allows them to create their good as best as they can. For example, Tesla would need to do massive amounts of research into electrical engines as before it was not as widely used. By researching into it it can help with their development process, which will lead to the best design that they can. As this product has a grounding in the research it is more likely to successful as the knowledge they discovered has been developed to make a product that will be desired by customers.

D4 However, carrying out research is extremely expensive and time consuming. The business will have to pay for someone to carry out the research, and may need to contact an agency that specialises in the market they are looking into. Many businesses do not pay off their

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103 research and development costs until very late into the selling of their product. But, it could be argued that without it the product would not sell at all. Research and development includes invention and innovation, and if they have found someone else with an invention that they want to exploit they may need to pay them significant amounts of money.

103 Research and development also ensures that the quality of the product sold is the best it can. Through the development process, many prototypes of the product are made and tested until the design is perfect. For example, with cars, one car may have been designed five or six times before they have found the right design for that particular brand. After the design has been approved, development is important in making sure that it is safe for use. Without this process, the number of faulty products being sold and brought would be significant, which would be problematic as one would be put in dangerous situations everyday, and would be costly to the business as they have to pay compensation.

104 On the contrary, for some products, such as water bottles, the development process is not as essential as it would be for a car. It would be important that the water was taken from a reliable source and treated properly but, the design of the bottle is less essential whereas for a car it can add massive amounts of value to the product.



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6. Human Happiness

a) For a business such as a zoo, multi-skilling the workers can massively increase their motivation. If they trained their employees to work with all of/ most of the animals it could make them feel more trusted as the business has invested in them and therefore feel a sense of responsibility to show them it was worth it and so work harder through increased motivation.

This can also help with job-rotation, that is another form of non-financial motivation. The multi-skilled workers are moved around the venue completing different tasks. For example, at a theme park if they are rotated to work on a different ride, this would increase their motivation as they may easily get bored with repeating the same task over and over again but by allowing them to try new things it keeps them interested in their work.

Additionally, job enrichment can motivate people working at tourist attractions. By giving them more work to do it makes them feel trusted by the management team, as they believe they have the ability to complete this to the correct standard. An example, may be feeding the penguins, zebras, giraffes and monkeys instead of just the monkeys at a zoo.

Finally, empowerment is an extremely effective non-financial motivator. By giving employees more power and responsibility it encourages them to work harder as it increases their morale. In addition to this, if they were given the power over a team it may make it

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easier to implement team working- another non-financial motivator, as the senior management would not have to have responsibility over all of the teams.

b) Employer/ employee relationships are a very important for a business however they are not the only determinant of whether or not they are successful.

Having good employer/ employee relationships is very important for some companies, as it

AB1 can massively improve their job satisfaction. According to Herzberg, job satisfaction is extremely important when motivating employees and therefore if workers are satisfied

AB3 they are likely to work harder and increase productivity. By having an increased productivity, it allows them to increase their sales and make more profit.

However, some companies, for example IT programming firms, may not find this

relationship as important. Workers at places such as google, are often given a deadline to write a programme by and then told to go and complete it. As many of these employees can

work from home, or not spend as much time communicating to the employer it is not

AB4 essential that they have a good relationship, as these companies are very successful.

Therefore, the importance of the having a good employer/ employee relationship in success is depended on the nature and working patterns of the business.

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Having a good employer/employee relationship can be very beneficial from a financial point of view. If this relationship is bad, and large amounts of conflict occur employers may be forced to consult ACAS, to resolve their disagreements. Having these consultations takes time out of the working day which can be costly, despite the fact that the service can be provided free of charge.

Furthermore, if an agreement cannot be reached employees may take industrial action. One type of industrial action is an overtime ban, where employees refuse to work overtime. This can be very difficult if the business has high demand and needs workers to work extra hours. But the most effecting type of industrial action is a strike, as workers do not come to work at all and therefore the businesses is unable to create and sell. These may cause the businesses to become less successful as they are unable to provide goods and services to the market during this time.

On the other hand, South West Rail is a successful company despite the number of strikes that occur, showing that the employee/ employer relationship does not always have to be positive with minimal conflicts. This that the business can still be successful despite their being a poor industrial action.

Overall, I think that the statement is mainly correct however, many businesses can be successful with poor relationships and lots of conflict but they are more successful without.

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In addition, the nature and size of the businesses also affects the importance of this relationship in the success of the business.

Q1-3
3-6
4-5

Signature