



GCE A Level – **LEGACY**

1084/01



BUSINESS STUDIES – BS4

MONDAY, 19 JUNE 2017 – MORNING

2 hours

ADDITIONAL MATERIALS

In addition to this examination paper you will need:

- a calculator
- a pink WJEC 16-page answer booklet.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your answers in the separate answer book provided.

Answer **all** the questions in Section A and **one** question from Section B.

You are advised to spend no more than 1 hour and 15 minutes on Section A.

INFORMATION FOR CANDIDATES

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

You are reminded that assessment will take into account the quality of written communication used in answers that involve extended writing (Section B).

You are reminded that the essay questions in Section B are synoptic and so will test understanding of the connections between different elements of the subject.

SECTION A

Answer all the questions.

1. J Turvey Ltd manufactures sports clothing. It has recently received an order for some swimming costumes which will require it to purchase six new specialist sewing machines. The total cost of the machines is £31 200. The machines have an expected life of eight years after which it is estimated that they can be sold off for £400 each.

(a) Calculate the annual depreciation per machine, using the straight-line method.
(Show your workings) [2]

(b) Explain why J Turvey Ltd depreciates the value of its fixed assets. [4]

2. Christobel Carter has recently been appointed marketing manager for Sunny Solar Ltd. The company installs solar panels on people's houses. The purpose of the panels is to generate electricity and as a result the customers should be able to save money on their electricity bills.

Christobel's boss, George Oswald, the managing director of Sunny Solar, has told her that she needs to produce a marketing plan.

Explain the likely nature and purpose of Sunny Solar's marketing plan. [6]

3. Abdel Nasif, the managing director of Mississippi Fried Chicken Ltd, is considering ways of expanding the business next year. He has narrowed the choices down to three possibilities:

- Option 1 – extend the company's restaurant in Cardiff
- Option 2 – refurbish the restaurant in Bangor
- Option 3 – open a new restaurant in Merthyr Tydfil

He asked his finance director, Harry Dickens, to calculate the chances of success of each option and the likely returns. Harry produced the following table:

Option	Initial cost £000s	Probability of success	Return if successful £000s	Return if Unsuccessful £000s
1	50	0.6	1200	200
2	20	0.5	1000	400
3	75	0.3	3000	a loss of 100

(a) Using this information construct a decision-tree diagram and calculate the net return on each option. [8]

(b) Advise Mr Nasif as to which one of these options he should choose. [2]

4. Fiona Hardcastle is the finance manager of Tinseltown Toys Ltd. It is her job to set the annual budget for the company and to keep an eye on the company's finances. In order to do this, she uses variance analysis. The figures below show the budgeted cash flow for Tinseltown Toys Ltd for last year.

The actual results were somewhat different. The sales revenue turned out to be £20 000 more than expected and the purchases were £30 000 more than expected. In order to avoid a strike by the workers the company raised their wages by 5%. Also there was an unexpected increase in the company's electricity bill of £10 000 whilst all of the other overheads were the same as predicted.

	Budgeted £000s	Actual £000s	Variance £000s
Sales revenue	540		
Purchases	260		
Wages	120		
Overheads	80		

- (a) Calculate the variances, indicating in each case whether they were favourable (F) or adverse (A). [4]
- (b) Discuss the usefulness of budget variance analysis to a business such as Tinseltown Toys. [6]
5. The following article appeared on the BBC website on 21 August 2015:

A strike by workers at First Great Western (FGW) is set to go ahead this weekend after talks failed to resolve a row over new trains.

Members of the Rail, Maritime and Transport Union (RMT) will walk out for 24 hours from midnight on Sunday, causing disruption to services. The strike is over the introduction of Hitachi Inter-City trains and threats to jobs, said the Union. A spokesman said: "Despite strenuous efforts, we have failed to reach agreement with First Great Western on the fundamental issues at the heart of the dispute over the introduction of the new Hitachi trains. As a result the action this Sunday goes ahead. The Union remains available for talks".

An FGW spokesman said on Thursday: "We have held a positive meeting with the RMT today and while, disappointingly, no agreement has been reached, we plan to meet again on Monday. This means that the strike action planned by the RMT on Sunday is likely to go ahead".

The company has published a list of changes to its scheduled services on Sunday, saying it intends to run 70% of its regular timetable. At least half of the intercity services will be cancelled with one train an hour between Paddington and Bristol, south Wales and the south west of England. The Portsmouth - Cardiff trains will only run between Salisbury and Swindon and there will be no FGW trains to or from Weymouth. FGW rail workers held a 48-hour strike last month in the same dispute, causing disruption to tens of thousands of commuters.

The first Hitachi trains will run on the Great Western main line from 2017 and on the East Coast main line from 2018. "The brand new Super Express trains will deliver more seats, faster journey times and more frequent journeys for our passengers. Our plans mean more train managers and customer hosts on board our trains, not fewer" FGW has said.

Consider the likely impact of the industrial action on the various stakeholders affected by this dispute. [8]

SECTION B

Answer one of the following questions.

6. “The best way to motivate workers is to pay them more money.” Discuss. [20]

7. Assess the view that increased expenditure on technology will, more often than not, result in greater profits for a business. [20]

8. Examine the view that British businesses will be better off outside the European Union. [20]

END OF PAPER