



GCE AS/A level

1082/01

BUSINESS STUDIES – BS2

A.M. TUESDAY, 3 June 2014

1 hour 45 minutes

1082
010001

ADDITIONAL MATERIALS

In addition to this examination paper, you will need:

- a calculator;
- a WJEC 20 page answer booklet (pink), which has been specifically designed for this examination paper. No other style of answer booklet should be used. Should you run out of space, use a standard 4 page continuation booklet.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen. Do not use pencil or gel pen. Do not use correction fluid.

Answer **all** questions.

Use both sides of the paper. Write only within the white areas of the book.

Write the question number in the two boxes in the left hand margin at the start of each answer.

Leave at least two line spaces between each answer.

INFORMATION FOR CANDIDATES

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

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

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Answer all the questions.

1. Too much stock at Waites Ceramics Ltd.

Managing Director, Martin Waites had just finished a tour of the factory. The business produced a variety of items for the home and garden and Martin was alarmed to see the number of large garden pots taking up so much space in the warehouse. He called Mike Hallinan, his sales and marketing manager into his office in order to address the issue. 'It is late September and there is far too much summer stock in the warehouse – half of which is made up of large ceramic garden pots. I spoke to you last year about **holding too much stock**. This is your last warning. I want you and your sales team to get these pots sold and out of the warehouse as soon as possible. If there is no progress by this time next month I will be taking action.'



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Explain what methods Mike Hallinan, the sales and marketing manager, might use to sell the excess stock. [6]

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Explain **three** reasons why Martin Waites considers that *holding too much stock* is bad for the business. [6]

2. PepsiCo – lots of people and lots of brands

PepsiCo UK & Ireland (PUK) employs over 5000 people across 13 locations. These locations include the Quaker Oats mill at Cupar in Scotland and a world-leading potato crisp manufacturing plant in Leicester. In addition it operates the Copella apple juice plant at Boxford in Suffolk, as well as a number of other manufacturing, distribution and administration sites. **Workforce planning** is essential for an organisation of this size and is key to its operational efficiency. Managing such a large number of employees presents PepsiCo's Human Resources department with a considerable challenge when ensuring that the right people are employed in the organisation.

PepsiCo core brands are Walkers, Quaker, Tropicana and Pepsi – but the business also includes a wide range of other products in its huge product portfolio including, Snack a Jacks, Sunbites and Copella. Walkers Crisps alone have very many flavours, as illustrated in the box below.

Current flavours offered by Walkers:

- BBQ Rib (Black) **WITHDRAWN March 2013**
- Cheese & Onion (Blue)
- Pickled Onion (Pale Green)
- Prawn Cocktail (Pink)
- Ready Salted (Red)
- Roast Chicken (Orange)
- Salt & Vinegar (Green)
- Smoky Bacon (Dark Red)
- Steak & Onion (Brown) **WITHDRAWN March 2013**
- Tomato Ketchup (Dark Brown & Dark Green)
- Worcester Sauce (Purple)
- Cheddar Cheese & Bacon (Dark Yellow)
- Sour Cream & Chive (Cream)

Steak & Onion and BBQ Rib have been withdrawn due to low sales (from Walkers Crisps Facebook page).

Source: Adapted from <http://www.pepsico.co.uk/our-company>

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| 2 | 1 | What is <i>workforce planning</i> ? | [2] |
| 2 | 2 | Why is <i>workforce planning</i> so important to large organisations such as PepsiCo? | [6] |
| 2 | 3 | Evaluate the usefulness of the Boston Matrix to large businesses such as PepsiCo when attempting to manage their extensive product portfolios. | [8] |

3. Ukuleles strike a chord at Miles Guitars

Miles Guitars is solely owned by Dave Miles, who set up the business 25 years ago. The business had built an excellent reputation for making top quality acoustic guitars. The recession was taking its toll, and when he viewed the Profit and Loss Account for 2013, sales revenue had fallen worryingly. Reluctantly, Dave who had always adopted a **democratic leadership style**, called all 27 members of his staff together to discuss the worrying situation and the possible job losses that might be necessary.

At the meeting one of the apprentices, who had recently joined a local ukulele band, suggested that ukuleles were something that the firm might consider making. Dave was aware of the increasing popularity of the instrument and undertook some market research to assess the potential of the market. Following a great deal of discussion with his senior members of staff, Dave decided to start making ukuleles in an attempt to revive the business. He estimated that there would be a good deal of **added value** in the production process and this encouraged him to proceed.



Table 1

| <i>Cost of raw materials for each ukulele:</i> | <i>Selling Price</i> |
|--|----------------------|
| <ul style="list-style-type: none"> • Wood - £20 • Strings - £4 • Other materials - £10 • Case - £9 | £130 |

Dave and his senior designer devised three models and set up a team of seven workers to manufacture the ukuleles. The seven workers were put through an intensive training programme to ensure that the quality of the Miles brand would be assured, and within six weeks production had begun.

Dave knew that they would have to generate a relatively high volume of sales if the venture was to be successful, and with this in mind, he increased his marketing expenditure by 75% compared with the previous year. He decided to place adverts in two of the UK's leading music magazines and to contact directly all the existing customers on his database. He also decided to have the ukuleles prominently displayed on their stalls at any music trade exhibitions. If the hoped-for volume in sales was to be reached, the manufacturing team would have to work very hard and Dave decided to introduce a **team bonus scheme** if they attained the targets set.

After one year the success of the new ukulele venture was reflected in the 2014 Profit and Loss Account. The threat of redundancies had been overcome, and if sales continued to rise, he was even contemplating taking on two new apprentices.

Table 2

Miles Guitars' Profit and Loss Accounts for the years ended 31.3.14 and 31.3.2013

| | 2014 (£) | 2013 (£) |
|---------------------------|-----------|----------|
| Sales Turnover | 1 106 540 | 900 500 |
| <i>Opening Stock</i> | 44 000 | 52 800 |
| <i>Purchases</i> | 440 500 | 352 200 |
| | | |
| <i>Less Closing Stock</i> | 35 000 | 52 000 |
| Cost of Sales | 449 500 | 353 000 |
| | | |
| Gross Profit | (i) | 547 500 |
| | | |
| <i>Less:</i> | | |
| <i>Wages/Bonuses</i> | 509 000 | 475 000 |
| <i>Vehicle expenses</i> | 16 000 | 14 000 |
| <i>Marketing</i> | (ii) | 3 000 |
| <i>Telephone</i> | 1 010 | 1 200 |
| <i>Insurance</i> | 2 200 | 2 000 |
| <i>Training</i> | 10 000 | 1 500 |
| <i>Business rates</i> | 4 150 | 4 000 |
| <i>Accountancy fees</i> | 1 700 | 1 500 |
| <i>Depreciation</i> | 3 500 | 3 500 |
| <i>Electricity</i> | 2 900 | 2 750 |
| Total Expenses | (iii) | 508 450 |
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| Net Profit | (iv) | 39 050 |

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Calculate the value of **each** of the following items for the Profit and Loss Account for 2014:

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|-----------------|-----|
| Gross Profit. | [1] |
| Marketing. | [1] |
| Total Expenses. | [1] |
| Net Profit. | [1] |

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Explain the following terms in Miles Guitars' Profit and Loss Account:

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|----------------|-----|
| Cost of Sales. | [2] |
| Net Profit. | [2] |

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 Identify **two** stakeholders who might have an interest in 'Miles Guitars' Profit and Loss Accounts and briefly explain why **each** might have this interest. [6]
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 What is *added value*? [2]
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 Using the figures in Table 1 calculate the added value for each ukulele that Miles Guitars will produce. [2]
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 Using examples from the text, explain what is meant by 'above and below the line promotion'. [4]
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 Evaluate the decision to introduce a *team bonus scheme* for the workers manufacturing the ukuleles. [8]
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 Discuss the view that a *democratic leadership style*, in whatever size or type of business, is always likely to be the most effective in achieving success. [12]

END OF PAPER

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