



GCE AS/A LEVEL

2510U20-1



S19-2510U20-1

THURSDAY, 23 MAY 2019 – AFTERNOON

BUSINESS – AS unit 2

Business Functions

2 hours

2510U201
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ADDITIONAL MATERIALS

In addition to this examination paper, you will need:

- a WJEC pink 16-page answer booklet, which has been specifically designed for this examination paper. No other style of answer booklet should be used.
- a calculator.

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.

Write your answers in the separate answer booklet provided following the instructions on the front of the answer booklet.

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

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

e.g.

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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.

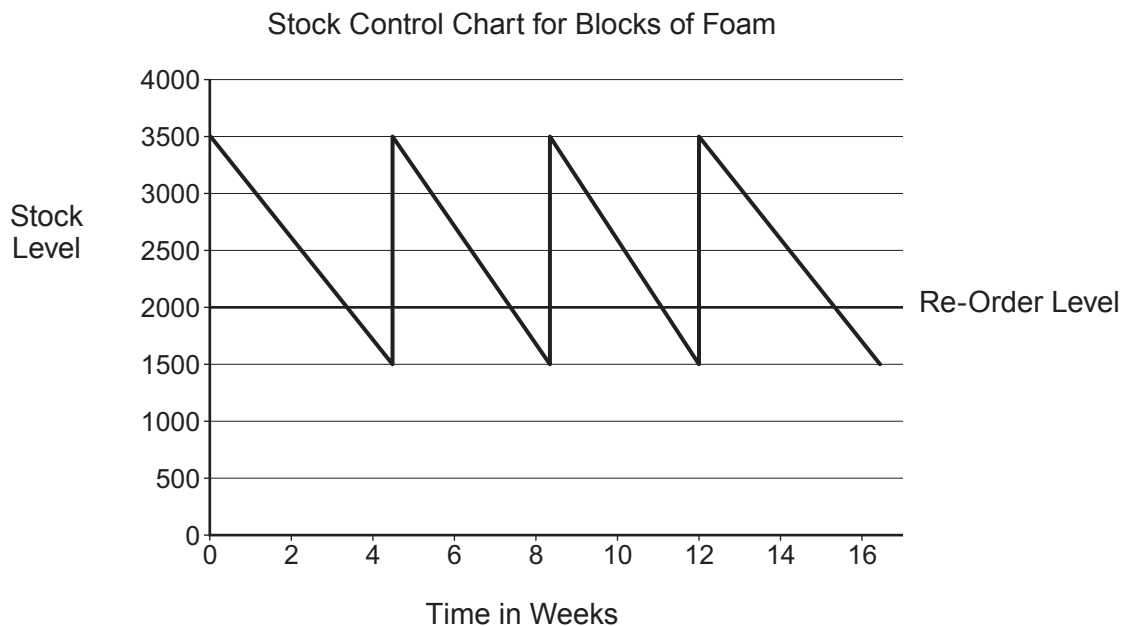
You are reminded of the need for good English and orderly, clear presentation in your answers.

Answer all the questions.

1. Relax Sofas Ltd

Furniture manufacturer Relax Sofas Ltd's main raw materials are blocks of foam, which it sources from a business in Germany. Relax Sofas Ltd operates a traditional stock control method which is illustrated in the chart below. Relax Sofas Ltd's Managing Director has just received a phone call from its German suppliers warning him that a fire at their factory will result in a delay in the next delivery. The Managing Director emails the Production Manager to tell him the news, adding the comment:

"Perhaps now you will agree that my policy of holding a large **buffer stock** is good management. Having too much stock is always better than having too little."



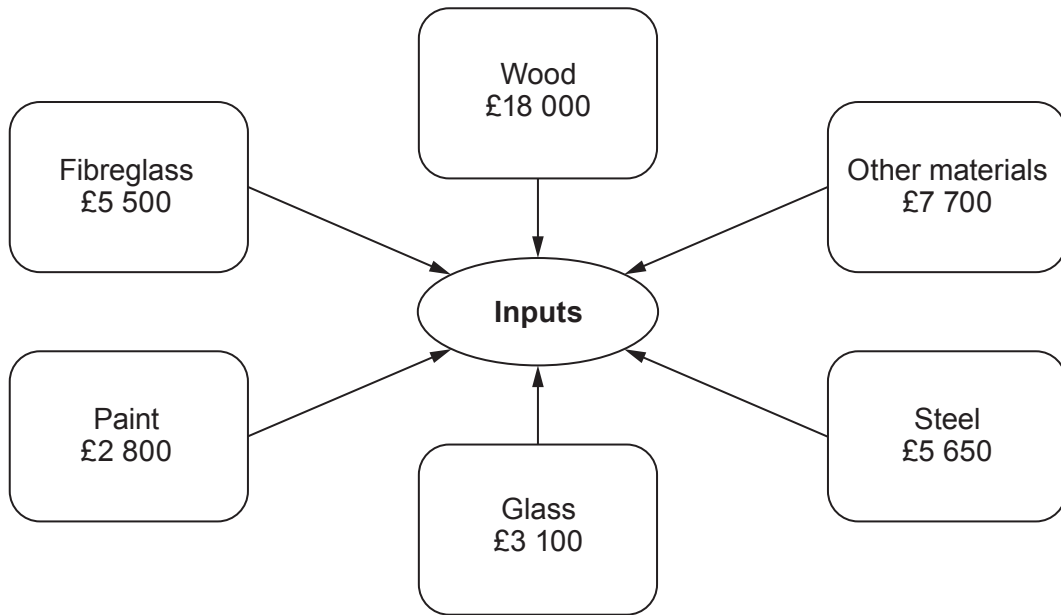
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 What is meant by the term *buffer stock*? [2]
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 With reference to the stock control chart, identify the volume of:
- (i) The buffer stock [1]
- (ii) The maximum stock holding [1]
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| 1 | 3 |
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 Discuss the view that 'having too much stock is always better than having too little' for a manufacturing business such as Relax Sofas Ltd. [10]

2. Milford Yachts



The diagram above gives the value of all the raw materials used by Milford Yachts builders when constructing one of its luxury sailing yachts. The yachts sell for £110 000.

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| 2 | 1 | Calculate the added value when constructing one of its yachts. | [3] |
| 2 | 2 | Explain the difference between added value and profit. | [2] |

3. Cosy Homes Radiators Ltd

Cosy Homes Radiators Ltd manufactures radiators in a factory in Gwent. The company has been very successful since setting up in 1999 and many millions of pounds have been invested in plant and machinery. It now employs 520 staff, the majority of whom work in the manufacturing process and are members of 'Unite', a **trade union** representing engineering and manufacturing workers. The union and the company have been engaged in a long running dispute over pay and conditions and, as a result, the shop floor workers have been taking **industrial action** for the last two months.

The Board of Directors met to discuss the problems that have arisen as a result of the industrial action.

Matt Connelly, Human Resources Director, addressed the meeting. "I met with the union representatives yesterday and they are planning to ballot their members for a strike from the first week in September, unless we meet their demand for a 7% wage increase. The negative impact of the industrial action on **productivity** is clear for all to see. There is no stock of finished goods left in the warehouse and already we have failed to complete an order for a major French customer. Two of our longest serving workers have left to work for a business in Bristol this month and when the proposal to abandon the tolls on the Severn Crossing is implemented we could lose many more. I have proposed to the union representatives that we approach **ACAS** in an attempt to resolve the situation as a matter of urgency."

Janet Ashley, the Managing Director and major shareholder, intervened. "I realise that our workers have not had a pay rise for four years but we are in a highly competitive and uncertain market. Rising raw material costs and the uncertainties caused by Brexit have put us in a very risky position. Survival should be our main priority. Although the workers on the factory floor cannot appreciate it, the impact of a pay increase for our shop floor workers can only be disastrous for every stakeholder connected with this business."

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| 3 | 1 | With the use of examples, describe what is meant by the term <i>industrial action</i> . [3] |
| 3 | 2 | Explain two reasons, other than industrial action, why productivity may fall in a business such as Cosy Homes Radiators Ltd. [4] |
| 3 | 3 | Assess the view that having <i>trade union</i> membership in a business such as Cosy Homes Radiators Ltd benefits both the workers and employers. [9] |
| 3 | 4 | Explain the role of ACAS and how it might attempt to resolve conflict in a business such as Cosy Homes Radiators Ltd. [6] |
| 3 | 5 | Consider Janet Ashley's view that 'the impact of a pay increase for our shop floor workers can only be disastrous for every stakeholder connected with this business'. [12] |

4. Green Valley Caravan Park

Situated just two miles outside a popular seaside town on the West Wales coast, Green Valley Caravan Park has been open since 1950 and has a loyal, if somewhat elderly, customer base. Owner, Dafydd Williams, has run the business for the last 30 years and has just heard the good news that the new heated swimming pool will be ready for the opening of the tourist season in April. A competitor's new log cabin enterprise, soon to open on a nearby farm, did not have planning permission for a pool – something which Dafydd was very relieved to hear.

Dafydd's daughter Siân, a retail analyst, has travelled from London to express her concerns about her father's business. "Overspending by £30 000 on the new swimming pool is bad enough but the fact that there are only 78 caravans booked for the first week in August this year means you could be operating at only 65% **capacity utilisation**. This business has loads going for it but you are not making full use of your assets. The entertainment complex and restaurant are top quality, the staff are talented and we are located next to one of the best surf beaches in Europe. The place is a potential goldmine and word-of-mouth and leaflets in the tourist office in town is simply not good enough. You need to invest in some new technology and do some effective marketing. You are not aware of it, but Steve who runs our gift shop is a computer whiz-kid. Pay him to set up a customer database with what information we have currently and go from there. You need to attract people from the town to use our facilities as well as attracting the surfers to use the site. Trust me Dad, with a strong promotional strategy this business will be a huge success."

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| 4 | 1 | What is meant by <i>capacity utilisation</i> ? | [1] |
| 4 | 2 | Calculate the number of caravan bookings per week Dafydd's business would have to take in order to operate at full capacity. | [2] |
| 4 | 3 | With reference to Green Valley Caravan Park, explain what is meant by asset-led marketing. | [4] |
| 4 | 4 | Explain how businesses in the tourism industry in Wales might use new technology when marketing their goods and services. | [8] |
| 4 | 5 | To what extent do you agree with Siân's statement '... with a strong promotional strategy this business will be a huge success'? | [12] |

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