

SECTION A

Answer all the questions.

1. Many British companies, such as British Airways, have recently changed from market-led to asset-led marketing strategies.

Explain the advantages to a business, such as British Airways, of using asset-led marketing.

[6]

2. The jam-making company, Cedric Applewhite Ltd, recently bought a new machine to crush fruit. The machine cost the company £8000. It has an estimated residual value of £2400 and an expected life of eight years. The chief accountant, Toby Trinder, has decided to depreciate the value of the machine using the straight-line method.

(a) Calculate the value of the machine after three years. (Show your workings.) [4]

(b) The new fruit-crushing machine will replace three old machines and will require only one worker to operate it instead of three. As a result, Charlie Applewhite, the son of the founder of the company, has decided to make two workers redundant. The trade union in the factory is not happy about the situation.

Consider the various outcomes that might arise from this situation.

[6]

3. GG Adventure Holidays Ltd is thinking of ways of advertising its next year's programme, but is not sure which media to use. It has narrowed them down to three options: advertising in a Sunday newspaper, advertising on commercial radio or using direct mail.

The costs, probability of success and estimated revenues for each option are shown in the table below.

| | Cost (£) | Probability of success | Estimated Revenue (£) | |
|-------------------------|----------|------------------------|-----------------------|---------|
| | | | Success | Failure |
| Sunday Newspaper | 120 000 | 0.6 | 600 000 | 120 000 |
| Commercial Radio | 100 000 | 0.4 | 700 000 | 150 000 |
| Direct Mail | 70 000 | 0.5 | 500 000 | 100 000 |

(a) Use the information provided to create a decision tree diagram and recommend which one of these media the company would be best advised to use. [7]

(b) Evaluate the usefulness of decision trees to a company such as GG Adventure Holidays Ltd. [8]