



## **GCE AS/A level**

1082/01

## **BUSINESS STUDIES**

### **BS2**

A.M. TUESDAY, 25 May 2010

1 $\frac{3}{4}$  hours

1082 01 01

### **ADDITIONAL MATERIALS**

In addition to this examination paper, you will need:

- a calculator;
- a 12 page answer book.

### **INSTRUCTIONS TO CANDIDATES**

Answer **all** questions.

Write your answers in the separate answer book provided.

Page 3 should be torn out and placed in your answer book.

### **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 3).

Answer **all** the questions.

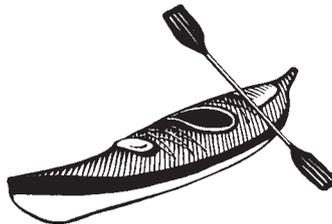
### 1. BLUE RIVER KAYAKS (BRK)

Blue River Kayaks (BRK) produces kayaks for sale to the outdoor pursuits market.

The information below relates to the year ending 31 December 2010

<p><b>COSTS</b> in 2010</p> <p>Fixed costs = £300 000          Labour costs = £150 per kayak          Material costs = £200 per kayak</p>	<p><b>SALES</b> in 2010 = 1200 kayaks</p> <p><b>PRICE</b> per kayak in 2010 = £750</p>
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The rent BRK pays for its factory is due to increase in 2011 by £20 000. Whilst the workforce has been persuaded that a rise in wages is not possible for 2011, it is estimated that material costs are likely to increase by 15%. BRK operates in a very competitive market and a 3% rise in price is as much as it feels it can charge in 2011 and yet still match its 2010 sales volume.



- (a) Distinguish, with the use of examples, between fixed and variable costs. [4]
- (b) **Construct** and **label** the break-even chart for the year 2010 on the graph paper provided on page 3 and write the break-even **output** figure in the box provided. [5]
- (Tear out page 3 and place it in your answer book.)*
- (c) Based on the figures given in the passage, calculate by how much BRK's profit would change in 2011 compared with 2010. [6]
- (d) Explain the advantages and limitations to BRK of the use of break-even analysis. [8]

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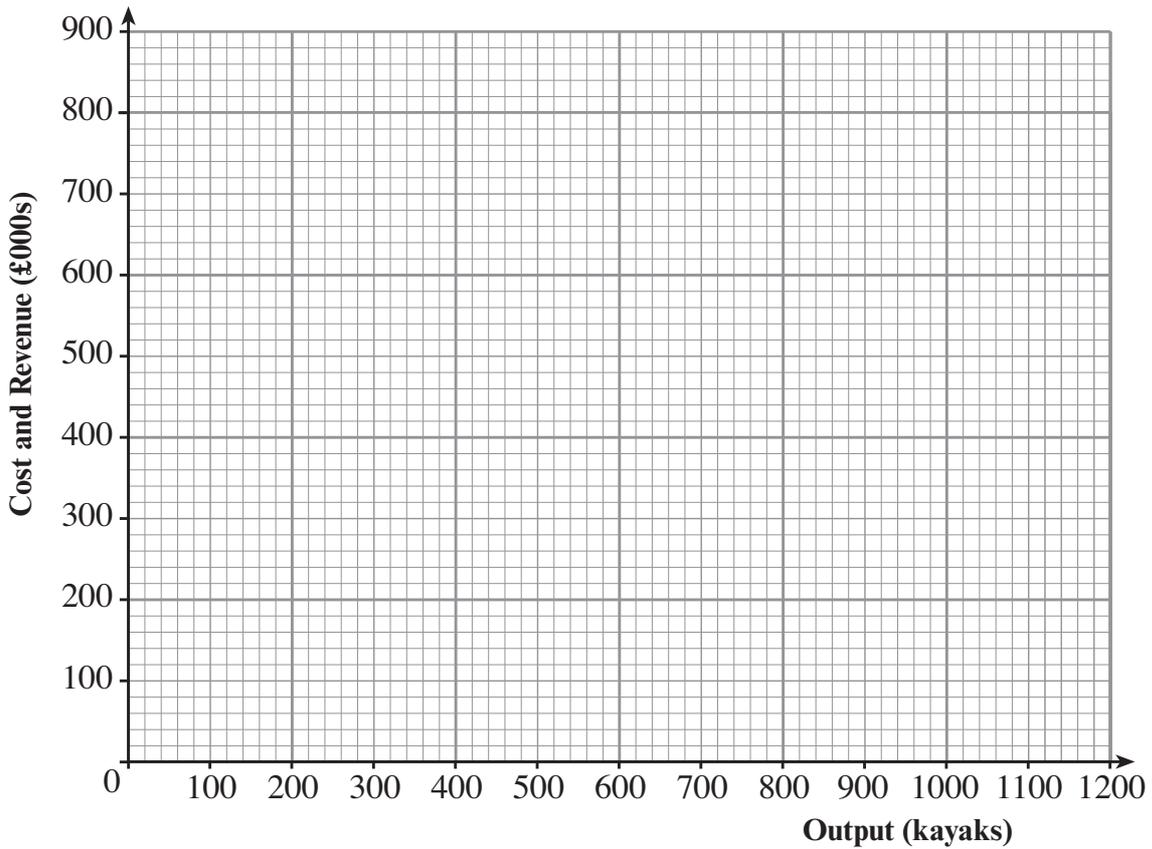
Candidate's Name (in full) .....

Candidate's Examination Number .....

**BRK's Break-Even Chart 2010**

**BREAK-EVEN OUTPUT =**

Tear along dotted line and place this page in your answer book



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**TEAR OUT AND PLACE THIS PAGE IN YOUR ANSWER BOOK**

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**Turn to pages 6 and 7  
for questions 2 and 3.**

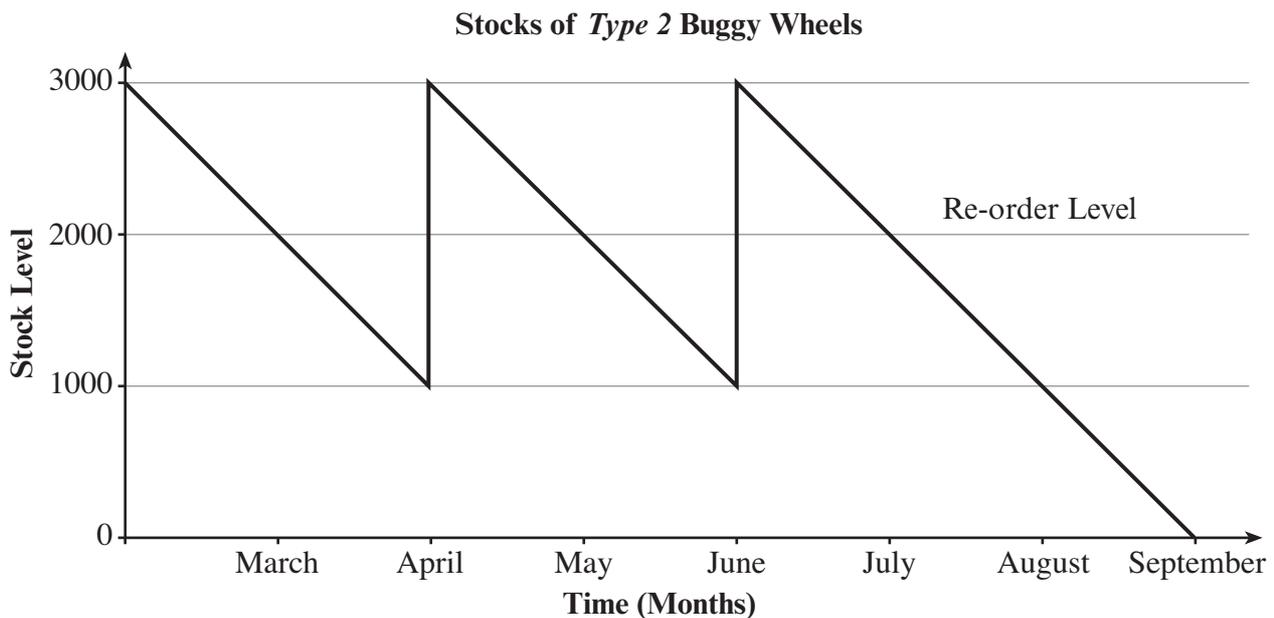
## 2. LiteWeight Buggies Ltd



LiteWeight Buggies Ltd designs and manufactures a range of collapsible, carbon-fibre pushchairs which combine convenience with exceptional strength. The company has been very successful and sales in the UK have doubled in the last 18 months, in spite of the challenging economic environment.

James Harrington, the newly appointed managing director, has been brought in to take the company to the next stage in this highly competitive market. He has identified three areas of concern which he intends to address at the next senior management meeting.

- Firstly, James is concerned about the stock control systems that exist within the organisation. Some departments seem to be holding excessive amounts of stock whilst others are frequently running out (stock out). The stock out situation facing the final assembly section is typical of the problems being encountered, as illustrated in a stock control chart.



In his previous company, James had introduced a 'Just in Time' system and he feels that such a system would benefit LiteWeight Buggies Ltd as it continues to grow.

- Secondly, James feels that the management structure of the company is too hierarchical and he wishes to adopt a matrix structure, which he believes will be much more effective.
- Thirdly, sales growth has begun to slow. Currently the company has focused only on the UK market and James believes it is essential that the company should now attempt to enter foreign markets and to operate in the global market place if it wishes to continue to grow and remain successful.

- (a) Examine the stock control diagram for *Type 2 Buggy Wheels* and identify the following:
- (i) lead time;
  - (ii) minimum stock level;
  - (iii) maximum stock level;
  - (iv) re-order quantity.
- (Write your answers in the answer book.)* [4]
- (b) Analyse the possible consequences that may have resulted from the *Type 2 Buggy Wheels* 'stock out' situation at the start of September. [5]
- (c) (i) Explain, with the use of a diagram, what is meant by a matrix structure. [4]
- (ii) Outline **one** argument in favour of and **one** against a matrix structure being adopted by a business such as LiteWeight Buggies Ltd. [4]
- (d) Evaluate James Harrington's proposal to introduce a JIT system at LiteWeight Buggies Ltd. [8]
- (e) Discuss the opportunities and difficulties that face businesses, such as LiteWeight Buggies Ltd, when they attempt to market their products globally. [10]

### 3. FIRECREST SYSTEMS Ltd - making websites work for firms

'Those big consumer groups - people in their late 20s and early 30s start most buying decisions sat at a keyboard. They Google, Yahoo or search business networking sites', says Richard Fernando of Firecrest Systems Ltd.

However, he also points out that thousands of small to medium size businesses have out-of-date websites. 'Many firms cannot afford to update and are embarrassed about their web presence.' Richard estimates that to set up a state-of-the-art website costs well in excess of £10 000, something which many smaller companies cannot afford.

Firecrest Systems Ltd attempts to make quality websites affordable to small and medium size firms by entering into contracts whereby the businesses pay monthly to have their web-pages updated with cutting-edge technology.

*Based on an article from The Western Mail, 24 June, 2009*

To what extent do you agree with the view that an internet website is now the only form of marketing that a successful business requires? [12]

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