



GCE AS/A level

1082/01

BUSINESS STUDIES

BS2

A.M. MONDAY, 21 May 2012

1¾ hours

1082
010001

ADDITIONAL MATERIALS

In addition to this examination paper, you will need:

- a calculator;
- a 12 page answer book.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Answer **all** questions.

Write your answers in the separate answer book provided.

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 (*f*)).

Answer **all** the questions.

1.



The Forestry Commission's aim is to ensure that Britain's forests contribute positively to protecting the environment. It does this while sustaining this great resource for the future. The Forestry Commission has a flat organisational structure, with few layers and **wide spans of control**. Communication is generally quicker in this structure and enables creative approaches and the freedom to explore new options. Employees at the Forestry Commission work together to find better ways of using forest resources.

In contrast, many UK businesses still have a hierarchical structure with many layers of management, with seven layers being the average in the late 1980's. **Delaying** had reduced this average to five by the early 2000s.

Adapted from the Times 100, 2011

- (a) With the aid of a diagram, explain what is meant by 'wide spans of control'. [4]
- (b) Assess the advantages and disadvantages, to organisations such as the Forestry Commission, of delaying. [8]

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2. Andy Farrell is a sole trader who runs a market garden (Farrell's Vegetables) and sells directly to hotels, small retailers and caterers within a 50 mile radius of his business in South Wales. Following a recent visit to Holland to see the latest developments in growing vegetables undercover in heated 'poly tunnels', he has decided to undertake an expansion plan which will enable him to grow a wider range of vegetables for his customers. He has estimated that this will involve an additional **capital expenditure** of approximately £100 000.



Balance Sheet Farrell's Vegetables: 01 May 2012

	£	£
Fixed Assets: (Non-Current Assets):		
Greenhouses		150 000
Tools and machinery		(i)
Vehicles		42 000
		247 000
Current Assets:		
Stocks	19 000	
Debtors	16 750	
Cash in Bank	21 620	
	57 370	
Current Liabilities:		
Trade Creditors	12 750	
Overdraft	20 000	
	32 750	
Net Current Assets (Working Capital)		(ii)
Net Assets		271 620
Financed by:		
Opening Capital		261 615
Add Net Profit		35 005
		296 620
Less Drawings		25 000
Capital Employed		271 620

- (a) What is meant by:
- (i) capital expenditure; [2]
 - (ii) drawings? [2]
- (b) With the aid of an example from Farrell's Vegetables, explain the meaning of:
- (i) debtors;
 - (ii) trade creditors. [4]
- (c) Calculate the value of:
- (i) tools and machinery; [1]
 - (ii) net current assets (working capital). [1]
- (d) Explain why having enough working capital (net current assets) is so important to Farrell's Vegetables. [4]

3. Mars in the United Kingdom

In 1932 Forrest E Mars arrived in England from the USA and set up a factory in Slough to produce the now, world famous Mars Bar. Since then the privately owned company has produced numerous successful brands in each of its five key segments: Chocolate, Food, Petcare, Drinks, and Gum and Confectionery. The Mars Bar is still a great success today and over 3,000,000 are produced each day at the factory which is still located in Slough. The Mars Bar has been a ‘**cash cow**’ for the company for many years and the chocolate bar has enjoyed a very lengthy **Product Life Cycle** as one of the leading brands in the UK chocolate market. The **branding** of numerous products using the ‘Mars’ name has been a significant part of the corporation’s marketing policy over the last 80 years.

<i>Examples of Mars related products</i>
• Mars Delight
• Mars Chocolate Drink
• Mars Ice Cream Bars
• McVities Mars Mini Rolls
• Mars Rocks
• Mars Muffins
• Mars Flavia Coffee
• Mars Planet

- (a) Describe, with the aid of a diagram, the various stages of a ‘*product life cycle*’. [8]
- (b) Why is it important to the Mars Corporation to have cash cows, such as the Mars Bar, in its product portfolio? [6]
- (c) Analyse why Mars uses branding as part of its marketing strategy. [6]

The Mars Corporation is guided by ‘Five Principles’. *An extract from the Mars UK Website relating to its Efficiency Principle is set out below:*

Our strength lies in our efficiency, the ability to organise all our assets – physical, financial and human – for maximum productivity. In this way, our products and services are made and delivered with the highest quality, at the least possible cost, with the lowest consumption of resources.

(d) What is *labour productivity* and how might it be measured? [4]

(e) Explain possible methods which businesses such as Mars might use to improve their productivity. [8]

The Mars Corporation employs over 4,000 people in the UK and it places great emphasis on its ‘associates’ (employees) ability to develop within the organisation: Its Principle relating to Human Resources states:

‘We want people who, instead of just waiting for things to drop in their lap, will actively seek out opportunities and ways to improve themselves. People who have a burning desire to learn and develop. People who want to realize their potential, and use their skills to do a great job’.

Whilst the Mars Corporation is keen to recruit employees **internally** to new jobs, it also recruits **externally** in an attempt to ensure that it has the best people in the right job throughout its UK operation.

(f) Evaluate the view that *internal recruitment* will always be preferable to *external recruitment* for businesses such as the Mars Corporation. [12]

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