



GCE AS/A level

1082/01 – **LEGACY**



BUSINESS STUDIES – BS2

P.M. TUESDAY, 24 May 2016

1 hour 45 minutes

1082
010001

ADDITIONAL MATERIALS

In addition to this examination paper, you will need:

- a calculator;
- 12 page answer booklet.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Answer **all** questions.

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

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).

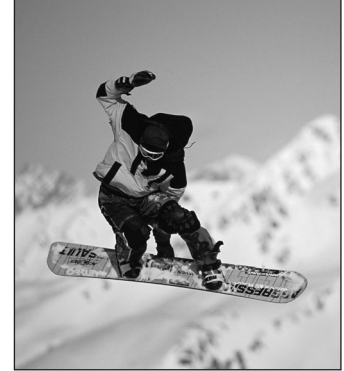
Answer all the questions.

1. Blizzard Snowboards

Since the Sochi Winter Olympics held in Russia in 2014, snowboarding has become an increasingly popular sport and many new manufacturers have entered this increasingly competitive market.

The owner of Blizzard Snowboards, Mike Halliday, had seen the potential in this market some time ago and has been producing good quality snowboards for the last six years. He is, however, becoming more and more aware that competition is increasing.

The rent for their factory, for the year ending 31 December 2015, was £375 000. The insurance premium for 2015 was £25 000, labour costs and material costs per snowboard were £160 and £220 respectively. Sales in 2015 were 1500 snowboards at a price of £850 each.



The rent which Blizzard Snowboards pays for its factory is due to increase in 2016 and it is estimated that material costs are likely to rise too. Mike Halliday believes that the strength of their brand will allow an increase in price in 2016 and yet still match the sales figures for the previous year.

However, given the increasingly competitive nature of the market, Mike was not prepared to increase costs further by raising wages in 2016. His daughter Anna, the human resources manager, strongly disagreed with her father's decision not to raise wages and told her father: 'I am very concerned about the impact this might have upon the business's operations. The workforce has always been very loyal, but not raising wages next year will test their loyalty to the limit.'

- (a) Calculate the following for Blizzard Snowboards for 2015:

Total Variable Cost
Total Fixed Cost
Profit

[4]

- (b) On the graph paper provided, construct and label the break-even chart for the year 2015. Write the break-even output in the box provided. [6]

- (c) Consider the usefulness of break-even analysis to a business such as Blizzard Snowboards. [6]

- (d) Explain the importance to Blizzard Snowboards of having a strong brand. [6]

- (e) Explain **two** ways in which Blizzard Snowboards might increase the strength of its brand. [4]

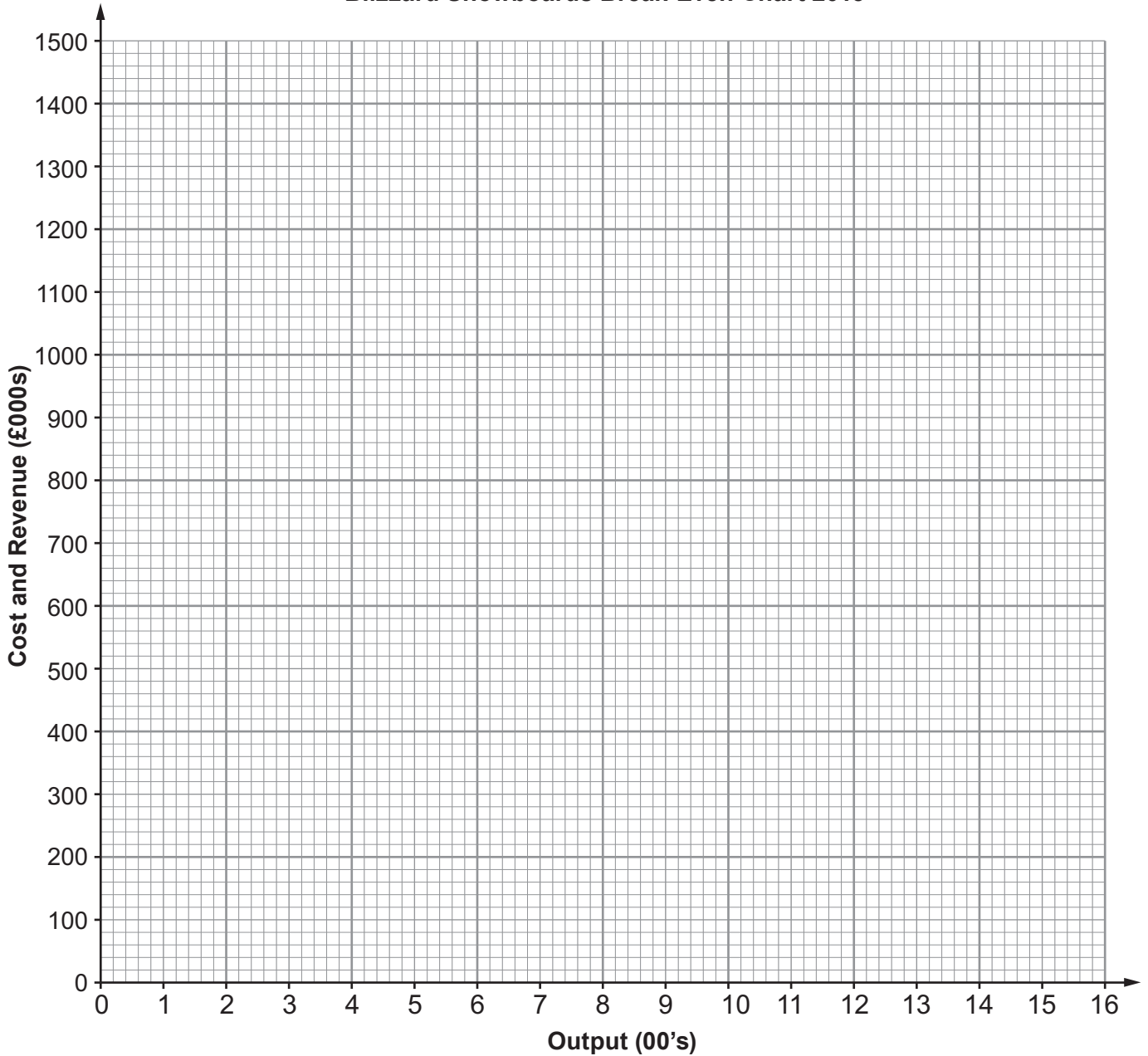
- (f) To what extent do you agree with Mike Halliday's decision not to raise wages in 2016? [10]

Centre Number

Candidate's Name (in full)

Candidate's Examination Number

Blizzard Snowboards Break-Even Chart 2015



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

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BREAK-EVEN OUTPUT =

TEAR OUT AND PLACE THIS PAGE IN YOUR ANSWER BOOK

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2. Redman's Industrial Clothing Limited

A family business established in the 1970s and employing 400 people, Redman's manufactures and markets to industrial customers – selling work clothing and safety wear to construction companies, factories and Do-It-Yourself outlets throughout the UK. The business has a loyal customer base and has generally enjoyed success throughout the last 40 years.

However, increasing global competition in the last five years had seen sales fall as loyal customers deserted them in pursuit of lower-priced goods. Costs had to be cut and the recent review of the company's **workforce plan** resulted in shop floor workers being put onto a four-day week. At the latest board meeting, Harry Redman, the Managing Director, left his fellow directors in no doubt about the seriousness of the situation. 'Sales are still in decline and we are only operating at 80% capacity. It is vital that we return to full **capacity utilisation** in the very near future if we are to remain competitive.'



It was clear that the business needed to seek out new markets and the Sales Department had been instructed by Harry Redman to try and gain more customers across Europe and the rest of the world in order that the business could take advantage of the huge potential that exists in the global marketplace.

- (a) Suggest **three** appropriate methods of industrial marketing that could be used by Redman's Industrial Clothing Limited when selling its products. [3]
- (b) Identify **three** key components of a *workforce plan*. [3]
- (c) What is meant by *capacity utilisation* and how might Redman's Industrial Clothing Limited measure it? [4]
- (d) To what extent would operating at full capacity be of benefit to Redman's Industrial Clothing Limited? [8]
- (e) What difficulties is Redman's Industrial Clothing Limited likely to face when trying to increase its sales in Europe and the rest of the world? [6]

3. Industrial robots are on the verge of revolutionising manufacturing

As industrial robots become smarter, faster and cheaper, they're being called upon to do more. They're taking on more 'human' capabilities and as a result, they're taking on more jobs – such as picking and packaging, testing or inspecting products, or assembling minute (very small) electronics. A question is now arising – “If prices keep declining and capabilities of industrial robots keep expanding, is now the time to invest in some automated help?” According to a survey of US manufacturers, 59% are already currently using some sort of robotic technology.

Source: Adapted from www.PwC.com

Introducing robotic technology, whatever the size of your business, makes sound business sense. Discuss. [10]

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