



Rewarding Learning

ADVANCED
General Certificate of Education
January 2013

Business Studies

Assessment Unit A2 2

assessing

The Changing Business Environment

[AT221]

THURSDAY 24 JANUARY, MORNING



AT221

TIME

2 hours.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.
Answer the **one** question.

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.
Quality of written communication will be assessed throughout the paper.
Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each question or part question in allocating the available examination time.

Study the information and answer the question that follows.

“Belfast In Your Hands Ltd.”

Source 1: Titanic and Maritime Belfast

Belfast is Titanic Town

Where else but Belfast can tell the story of the most famous ship in the world ever constructed, RMS Titanic. She was hailed the “new wonder of the world”. Titanic was built in one of the world’s then greatest shipyards – Harland and Wolff.

Northern Ireland celebrates the city’s maritime heritage, keeping the legend of the Titanic alive for future generations. Nowhere else in the world can claim a greater or prouder association with the most famous ship ever built.

In March 2012, 100 years after RMS Titanic first set sail, a spectacular new visitor attraction opened on the site of the Belfast shipyard where the great ocean liner was designed and constructed.

The attraction celebrates the city’s industrial and maritime heritage at its former place at the centre of the shipbuilding industry. A strong educational content throughout the site serves to inspire the next generation of Titanic enthusiasts.

With its impressive scale and unrivalled pedigree, Titanic Belfast has become one of Northern Ireland’s premier tourist attractions. It is located in the heart of Titanic Quarter, on the historic site of the world-famous ship’s construction. Housed in an iconic, six-floor building, this state-of-the-art visitor experience will challenge perceptions and inspire future generations. It not only celebrates past achievements, but also includes modern content that inspires innovative thinking. The local council is confident that this project will help achieve many of its own objectives such as economic growth and employment.

© *Titanic-Foundation*

Source 2: The Titanic Heritage Trust

The Titanic Heritage Trust is the only international charitable trust set up to protect the history and name of RMS Titanic and those connected to it. The Trust is concerned with more than just commercial issues, aiming to remember every aspect of the worldwide phenomenon which is Titanic.

The Titanic Heritage Trusts' mission is as follows:

- to protect the Titanic wreck site and artefacts recovered
- to preserve Titanic's heritage for the good of all, today and for futures to come
- to respect the memory of RMS Titanic
- to remember the passengers and crew who lost their lives and all the survivors who have since died.

Source: adapted from <http://www.titanicheritagetrust.org.uk/index.htm>

Source 3: "Belfast In Your Hands Ltd."

"Belfast In Your Hands" is a private limited company which sells locally themed products, mainly aimed at the tourist industry, from premises in the centre of Belfast. It sells many items ranging from Irish lace, old photographs and paintings of the city, to a game of Monopoly with Belfast street names and landmarks incorporated on the board. The company started off as a sole trader business in 2005 and grew organically. When the store opened it received good publicity and was a stopping point for open top tour buses and local black taxis.

Business was good until recently introduced traffic control measures meant that tour buses were redirected away from the "Belfast In Your Hands Ltd." store. This was a major setback for the owners. This decision caused a major disagreement at a Belfast City Council meeting as some councillors thought that any tourism projects promoting the city should be encouraged and that no obstacles should be put in their way.

Source 4: Financial information relating to "Belfast In Your Hands Ltd."

	2013	2012	2011
Sales Revenue	£150,000	£400,000	£200,000
Net Profit	£80,000	£280,000	£120,000
ROCE	2.7%	8.1%	5.5%
Current Ratio	1.4:1	2.1:1	1.8:1

Source 5: Electronic Commerce

Electronic commerce, commonly known as e-commerce, refers to the buying and selling of products and services over electronic systems such as the Internet and other computer networks. It is growing faster than predicted up over 400% in the past three years. Modern e-commerce typically uses the World Wide Web in the transaction's life-cycle. It also encompasses a wider range of technologies such as e-mail, mobile devices and telephones.

A huge percentage of e-commerce is conducted entirely in electronic form for virtual items such as access to premium content on a website. However, it usually involves the transportation of physical items in some way. Almost all large retailers are now electronically present on the World Wide Web as e-tailers (online retailers).

Source: adapted from www.epsit.net/ecommerce.php

Source 6: Bleak Future and a Double Dip Recession?

More than 50% of financial directors are pessimistic about the outlook for the UK economy. Confidence among the owners of smaller companies has also collapsed.

Ian Stewart, Deloitte chief economist, said: "Those pinning their hopes for growth on a sharp increase in corporate spending in the UK this year may be disappointed. On balance, CFOs (Chief Financial Officers) expect corporate hiring, investment and discretionary spending to contract."

The finance directors said their top priorities were reducing costs and increasing cash flow, suggesting that calls by employers' body, the Confederation of British Industry (CBI), for companies to invest more may not be heeded.

© Telegraph Media Group Limited 2012

Source 7: A Possible Solution?

Although the centenary celebrations of the launch of Titanic have now been completed, the Managing Director of “Belfast In Your Hands Ltd.”, Ray Waters, is hopeful that the publicity that the company achieved during the celebrations should be fully exploited, despite the gloomy predictions. He further believes that the current economic situation is simply part of a normal economic cycle and he has made several proposals about the future of “Belfast In Your Hands Ltd.”.

Ray recently participated in a trade mission to China to investigate possible suppliers of Titanic merchandise that he could sell through the shop and via e-commerce. His findings were astounding. He visited areas in China that were prepared to construct items such as miniature replicas of the Titanic for the equivalent of as little as 50 pence, and oil paintings for £5.00 each and even less depending upon the size of the order. However, exchange rate fluctuations might have an impact on these prices.

Ray Waters has been thinking of the possibility of competing with the tour operators and provide his own bus tours of the city, using vacant land that he owns to park the vehicles. Using e-commerce, he feels he could set up an online booking system for these tours as part of his website.

Some members of the board of directors are uneasy about these proposals. They have reservations about the ethics of exploiting Chinese workers; the cash flow implications of a seasonal business such as running bus tours and the ethical implications of making a profit from a project associated with the Titanic. Ray Waters totally disagrees with this, pointing out that the current business objective of “Belfast In Your Hands Ltd.” has changed dramatically, and is now survival.

Question 1

You are a consultant employed by “Belfast In Your Hands Ltd.”. You have been asked to prepare a formal report entitled ‘The Future of “Belfast In Your Hands Ltd.”’.

The aim of the report is to examine the problems currently faced by “Belfast In Your Hands Ltd.”, analyse the options open to the company and evaluate whether the organisation should adopt Ray Waters proposals.

Your report should be in an appropriate format and should include recommendations to the management team of “Belfast In Your Hands Ltd.”.

(You **may** find it useful to address **some** of the following areas in your report such as: business objectives, stakeholder objectives, financial implications, pressure groups, economies of scale, e-commerce, corporate image, ethics, business cycles, economic growth, employment, competitive advantage, exchange rates). [80]

THIS IS THE END OF THE QUESTION PAPER

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