



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2011

Business Studies

Assessment Unit AS 2

assessing

Managing Business Resources

[AT121]

THURSDAY 20 JANUARY, AFTERNOON



TIME

1 hour 30 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.
Answer **both** questions.

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.

Quality of written communication will be assessed in question 1 parts (d) and (e) and question 2 parts (d) and (e).

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.

- 1 Study the information below and answer the questions that follow:

The **co-operative**
good for everyone

© The Co-operative Group <http://www.co-operative.coop>

The Co-operative Group buys Somerfield for £1.57 billion

The Co-operative Group (The Co-op), the UK's fifth largest supermarket chain, has agreed to buy rival Somerfield. The Co-op has more than 4300 UK retail outlets and it employs 85 000 people. Somerfield has approximately 900 stores.

The Co-op is committed to its values of self-help, democracy, equality and education and training for all its staff. The supermarket chain encourages feedback from its shareholders to tell it what is important to them. The entire organisation including the Board of Directors, managers and supervisors incorporates this democratic style. The Group's Chief Executive, Peter Marks, delegates authority down the chain of command to various Directors, responsible for Marketing, Human Resources and Specialist Retail business.

At every level within the organisation, there are various opportunities for staff to learn new skills or refresh old ones, either through on-the-job training, or off-the-job training. This allows employees to continue their professional studies or undertake vocational qualifications. Staff can arrange training and development by contacting the HRM department directly. The Co-op relies heavily on modern technology to develop its business interests and communicate with its stakeholders. Various methods of communication are currently used by the Group, such as Internet, e-mail and mobile phones. However, rapidly changing technology presents a challenge to the business on an on going basis.

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- (a) Explain two reasons why effective communication is important to the Co-operative Group. [4]
- (b) Explain what is meant by the term chain of command, using an example to illustrate your answer. [4]
- (c) Analyse the impact of using a democratic style of management within the Co-operative Group. [8]
- (d) Evaluate the use of on-the-job training within the Co-operative Group. [12]
- (e) Discuss the impact that technology could have on communication for a business such as the Co-operative Group. [12]

2 Study the information below and answer the questions that follow:

Contribution and Break-even

Felix Connelly manufactures cheese and sells it to an international market. Felix produces and sells 4000 packs each week to retailers for £2.00 per pack. The forecasted variable costs (ingredients and labour) amount to 80 pence per pack. The forecasted fixed costs amount to £3,000 per week.

These figures are a forecast of what may be the costs for next year's production and can have a serious impact on the cash flow forecast. Felix realises that the fixed and variable costs may change over the year due to unforeseen circumstances. The cost of ingredients and labour could fluctuate. Felix has thought about calculating a number of variances as a way of controlling costs within the business.

Due to the recession some retailers have asked Felix to extend his credit period. He currently offers 15 days credit although a number of customers are trying to negotiate 30 days credit. Felix would not have to offer any cash discounts and the customers would be happy with this as a short-term source of finance.

- (a) Explain the difference between cash and profit, using an example to illustrate your answer. [4]
- (b) Calculate the number of packs of cheese that Felix must produce and sell each week in order to break-even. [4]
- (c) (i) Calculate the output required to obtain a target level of profit of £3,000. [4]
- (ii) Analyse the importance of contribution to a business such as Felix Connelly. [4]
- (d) Evaluate the usefulness to Felix Connelly of carrying out variance analysis. [12]
- (e) Evaluate the methods Felix could use to improve his cash flow. [12]

THIS IS THE END OF THE QUESTION PAPER

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