



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2012

Business Studies

Assessment Unit AS 2

assessing

Managing Business Resources

[AT121]

THURSDAY 21 JUNE, MORNING



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:

British Gas

British Gas is part of the Centrica Group, the UK's largest energy supplier. The company not only supplies gas but also deals with the installation and maintenance of domestic appliances. To deliver these services effectively, British Gas needs the right staff, with the right skills.

Many British Gas employees are in direct contact with the public and customers expect top class service at competitive prices. Engineers therefore need to have both technical skills and good communication skills. British Gas achieves this through people investment planning. Retaining good workers is particularly important as it costs a lot more to recruit new staff than to keep the ones already in post. Managers forecast how much the market for gas will grow and this helps them to decide how many engineers will be needed in the future.

Staff training covers technical skills and knowledge as well as other skills such as communication and problem solving, so that engineers will be able to listen and deal with people effectively.

British Gas recruits from a wide variety of backgrounds to reflect its diverse customer base. In particular, it is working to recruit more female engineers and has won awards for its efforts in this area. All candidates need to show good academic qualifications and be able to demonstrate people skills.

British Gas uses an online application form. Job applicants also complete a questionnaire which identifies what they value about work. The results are colour-coded. A red result suggests the candidate will not have the right "fit" with the company. Applicants with amber and green results are invited to interview.

Selection takes place at the British Gas assessment centre and has three parts:

- an interview based on the online application and questionnaire
- role-play of customer service situations
- a manual dexterity test.

The scores from the tests and exercises are combined to decide who is offered a position. In return, British Gas offer competitive salaries, bonuses and other monetary methods to motivate staff.

- (a) Explain two reasons why British Gas should carry out interviews as part of its recruitment and selection process. [4]
- (b) Explain two reasons why effective communication is important to British Gas. [4]
- (c) Analyse monetary methods of motivation that British Gas might use. [8]
- (d) Discuss the advantages and disadvantages of the use of external recruitment to a business such as British Gas. [12]
- (e) Evaluate British Gas' decision to carry out people investment planning. [12]

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

Penelope Caruthers

Penelope Caruthers is hoping to open her own business using a redundancy payment of £15,000. As a dress designer, Penelope is hoping that being self-employed would make most use of her previous experience. She has worked in the fashion industry for 15 years and has some accounting knowledge, having completed a basic business start-up program.

Penelope has conducted some research into the general prices of the materials that she will need for her garments and has also calculated how long it should take to manufacture each dress. She has also forecasted other variable costs and is confident that she could sell each dress for £150. Penelope has found vacant premises in her home town which are available to rent. Based on her calculations, she has forecasted her costs as follows:

Table 1: Forecasted Costs

Fixed Costs	£20,000 per annum.
Variable Costs	£50 per dress.

Although Penelope realises that she has enough information to calculate her break-even point, she is interested in identifying the output she would need to sell to make a profit of £25,000 in her first year. She also realises that she needs to maintain a healthy cash flow if the business is to succeed and that it may be necessary to draw up a cash budget.

- (a) (i) Explain what is meant by the term contribution.
- (ii) Calculate Penelope's forecasted contribution per unit (dress). [4]
- (b) Identify the level of output that Penelope would require to obtain a profit of £25,000. [4]
- (c) Analyse methods that Penelope could use to improve her cash flow. [8]
- (d) Evaluate whether Penelope should construct a cash flow forecast. [12]
- (e) Evaluate break-even analysis as a decision-making tool for Penelope's business. [12]

Note: The following formula may be used (where appropriate):

$$\text{Units sold for a desired profit} = \frac{\text{Fixed Costs} + \text{Desired profit}}{\text{Contribution per unit}}$$

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