



Rewarding Learning

ADVANCED

General Certificate of Education

2018

Business Studies

Assessment Unit A2 1

assessing

Making Business Decisions



AT211

[AT211]

THURSDAY 7 JUNE, AFTERNOON

TIME

2 hours.

INSTRUCTIONS TO CANDIDATES

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

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.

Quality of written communication will be assessed in Questions **4**, **5** and **6**.

Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each question.

Study the information below and answer the questions that follow.

U-Snax Limited

U-Snax Ltd is a family-owned bakery business based in Armagh, and has been producing a range of products for over 10 years. The business operates from premises in an industrial estate, supplying assorted breads and pastries to customers in the catering and hospitality trades (e.g. hotels, restaurants and B&Bs).

In 2015, under the leadership of Sam Bakker, the company expanded from selling mainly to trade customers to concentrate on supplying members of the public using three retail outlets located in Cookstown, Ballymena and Enniskillen, and widening the product range. With this new strategy in place, U-Snax Ltd began its rapid growth and it has now developed into one of Northern Ireland's prominent bakery businesses, supplying products aimed at the convenience market. By choosing only the best quality ingredients, each item is produced to the highest possible standard using advanced technology.

The company's vision is clearly outlined in its mission statement below:

“To be the best local bakery business within the market sector we serve, by developing products and services which meet or exceed customer expectations.”

To fulfil this vision, U-Snax Ltd strives to achieve the following:

- A one-day turnaround for bakery orders, e.g. birthday cakes
- Bread products baked/sliced and packaged to order, within five working hours
- Fast delivery using the fleet of U-Snax vans
- The option of online ordering using the company website
- A dedicated team of staff to look after customer orders from receipt to collection
- Bulk orders for special occasions
- Provision of healthy eating products, e.g. salads, falafel, couscous

U-Snax Ltd has received recognition for its dedication to quality, displaying quality award certificates and Food Hygiene Certificates in each of the three retail outlets.

To finance its plan to pursue further quality initiatives, U-Snax Ltd has borrowed £2.1m from the bank, to invest in a new industrial food mixer together with other projects in the business. It is anticipated that this investment will increase profits, reduce noise pollution, increase staff productivity, improve quality and allow it to target health conscious customers by using reduced levels of fatty oils in its pastries. However, this investment will incur additional staff training costs in order to operate the equipment.

Working with a budget of up to £500,000, the Bakery Manager is considering two industrial food mixers, the estimated Net Present Values of which are shown in **Table 1**.

Table 1: Investment Projects

	Food Mixer A	Food Mixer B
Initial Outlay	–£500,000	–£350,000
Net Present Value	£200,000	£250,000

U-Snax Ltd experienced a period of growth, facilitated both by capital investment within the business and the development of a gluten free product range. This expansion led to a further gradual increase in employees from 20 to 60 and an increase in turnover to £6m by 2017. The directors are confident of continued growth in market share in the coming years.

Table 2 (below) summarises key financial data related to U-Snax Ltd:

Table 2: U-Snax Limited Financial Data

Financial Year ended 31st March	2015 (£m)	2016 (£m)	2017 (£m)	% change between 2016 and 2017 (approx.)
Sales Revenue (Turnover)	4.6	5.5	6.0	Up 9.1%
Operating Profit	0.4	0.5	0.9	Up 80%
Pre-tax Profit	0.3	0.4	0.5	Up 25%
ROCE %	5%	6.6%	7.7%	
Net Profit Margin	6.5%	7.3%	8.3%	
Current Ratio	1:1	2:1	0.75:1	
Gearing %	20%	30%	70%	

The management team are aiming to increase sales revenues by 5% per year over the next five years, and propose to expand their product range with the introduction of the following product lines:

- Gluten Free Bread
- Yorkshire Puddings
- Turkey Noodle Salad

In order to facilitate decision making, Sam Bakker drafted a Boston Matrix, as shown in Fig. 1 below:

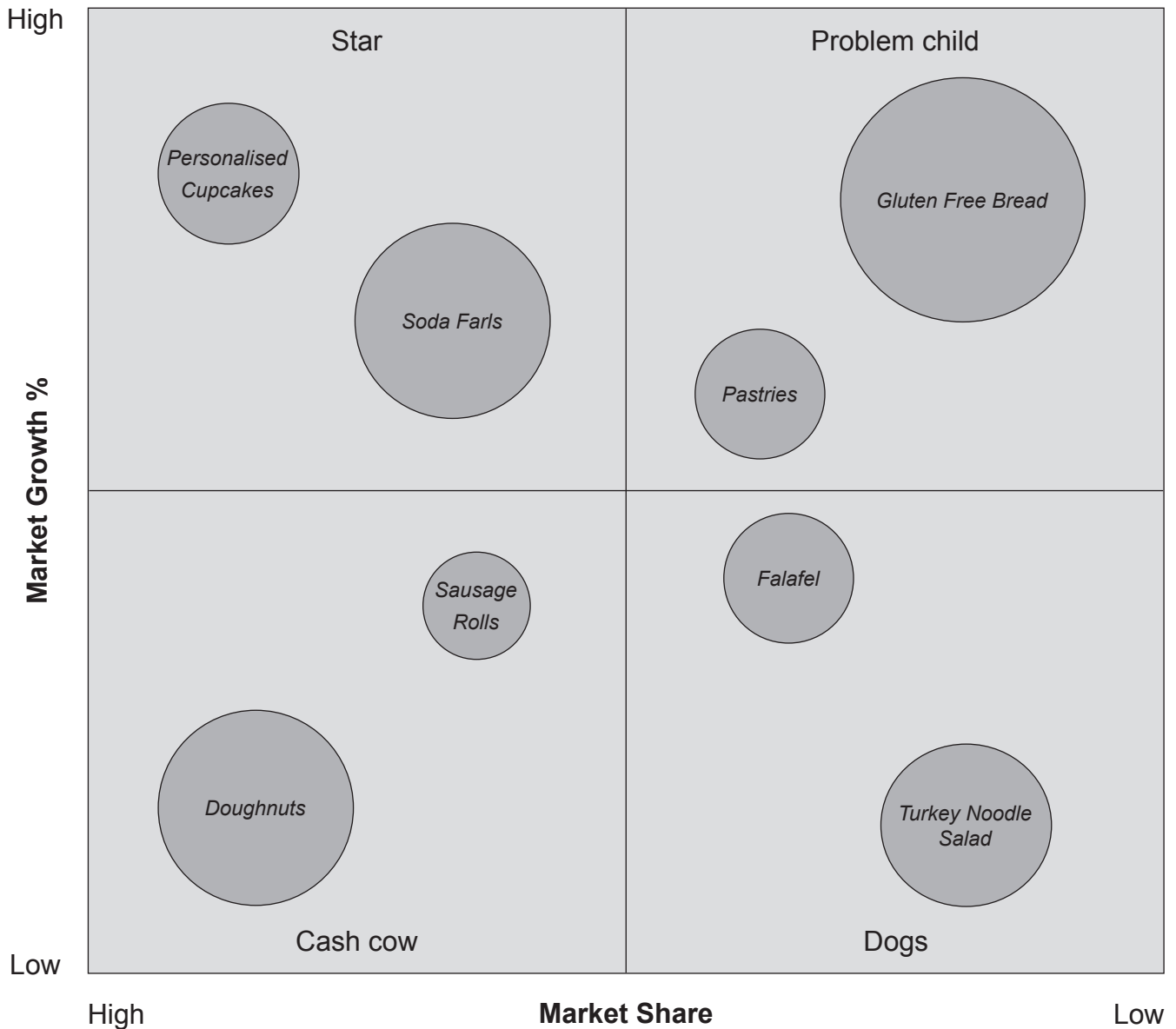


Fig. 1 Boston Matrix for U-Snax Limited

Members of the senior management team are confident that their new product portfolio will meet and exceed customer expectations.

Candidates must answer **all** questions.

- 1 Explain what is meant by stakeholder objectives, using an example from the case study to illustrate your answer. [4]
- 2 Analyse the current position of U-Snax Ltd using the following elements of a SWOT Analysis:
 - Strengths
 - Weaknesses[6]
- 3 Discuss the usefulness of the Boston Matrix as a decision-making tool for U-Snax Ltd. [15]
- 4 Evaluate the qualitative factors that may influence investment decisions made by the management team of U-Snax Ltd. [15]
- 5 Evaluate the use of a mission statement to a business such as U-Snax Ltd. [20]
- 6 Evaluate the financial performance of U-Snax Ltd using the data given in **Table 2**. [20]

THIS IS THE END OF THE QUESTION PAPER

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