



Rewarding Learning
ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2016

Business Studies

Assessment Unit AS 2
assessing
Managing Business Resources

MV18

[AT121]

WEDNESDAY 22 JUNE, AFTERNOON

Time

1 hour 30 minutes, plus your additional time allowance.

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 at the end of each question 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.

Veg4u

Veg4u is a successful business which supplies a wide range of ready prepared vegetable products to local hotels and restaurants. The market is highly competitive and it is important for the firm to keep prices as low as possible. The business employs 20 workers, mainly young unskilled staff, who tend to remain with Veg4u for a few years before moving on. Most of the jobs are on the production line – sorting, washing, cutting and packing vegetables, often under pressure to meet order deadlines. The low wages paid by Veg4u do nothing to help retain workers.

Michael Roberts was recently appointed as General Manager of Veg4u. The new appointment was welcomed by the majority of workers within the business who were glad to see the previous manager, John Davidson, leave to take up a new post abroad. They did not like John's authoritarian leadership style even though he had been able to increase profits by 40% over the last two years and consequently secure their jobs.

On his appointment, the owners of Veg4u made it clear to Michael that continued profit growth was expected. Michael was confident that he could deliver this. As a finance graduate, he realised that Veg4u did not prepare monthly cash flow forecasts and believed that doing so could transform the business in the future. He also planned to monitor budgets carefully so that any adverse variances could be quickly corrected.

Michael was satisfied with the progress he made in his first few months and felt that his personality suited his democratic leadership style. This style had an immediate impact within Veg4u. Workers now appreciated being able to have a say in things such as break times and who worked in which teams. Michael also listened to other concerns about the working environment and following requests from workers, redecorated an area of the factory and provided modern tea/coffee facilities.

However, Michael noted two significant variances which were reported in the management accounts for the month of April 2016. These are shown in **Table 1** below.

Table 1: Budgeted and Actual performance in Veg4u, April 2016

	Budgeted	Actual
Sales Revenue	£115,000	£100,000
Employee Overtime Expenditure	£12,000	£10,000

From the management accounts it became evident to Michael that cash flow was becoming a problem for Veg4u. He knew that action had to be taken if the business was to continue to be successful.

- (a) Explain what is meant by an authoritarian leadership style, using an example from the case study to illustrate your answer. [4 marks]
- (b) Using **Table 1**, calculate (i) the employee overtime expenditure variance, (ii) the sales revenue variance, for Veg4u during April 2016. In each case, state whether the variance is adverse or favourable. [4 marks]
- (c) Analyse ways in which the cash flow within Veg4u might be improved. [8 marks]
- (d) Discuss the advantages and disadvantages of Michael's democratic leadership style to a business such as Veg4u. [12 marks]
- (e) Evaluate the usefulness of a cash flow forecast to a business such as Veg4u. [12 marks]

- 2 Study the information below and answer the questions that follow.

Whitbread plc



Whitbread plc is the UK's largest hotel and restaurant company. Its brands include Premier Inn and Costa Coffee, both hugely successful and growing businesses. It employs over 43 000 people and serves 22 million customers every month in numerous outlets worldwide which sometimes makes communication difficult. However, it remained in the top ten of the Sunday Times 'Best Big Companies to work for' list for 2014, with a strong sense of team spirit being identified by its employees.

On its website, Whitbread plc highlights the benefits of working for the company. It offers monetary benefits such as highly competitive salaries to recruit and retain the best people, a Whitbread Privilege Card giving 25% off all Whitbread brands and a Sharesave scheme which gives employees the right to buy company shares at a discounted price. In addition, employees work in a pleasant, relaxed working environment and benefit from a company culture that gives them real responsibilities and flexible working options. Whitbread plc offers an Employee Assistance Programme, which includes a twenty four hour counselling

service and encourages employees to undertake training to support their career development.

Managing such a large and diverse company involves substantial planning and commitment from management to ensure that it is able to function effectively. The organisational design has to be well planned, taking account of concepts such as chain of command and span of control. There are many stages involved in ensuring that a management decision regarding, for example, a new menu or a room cleaning procedure, is made known to the staff who have to implement it.

Effective communication is vital in Whitbread plc. There are many barriers to communication which must be continuously addressed at all levels within organisations of this size. In the hospitality sector, communication between the company and its customers is particularly significant. For example, the company uses texting to remind customers of their bookings. Whitbread plc tries to ensure that technology is used whenever possible to improve communication, both internal and external. For example, the company encourages shareholders to receive all information by email while it uses an 'open intranet' to communicate with staff and promote employee engagement.

- (a) Explain what is meant by the chain of command, using an example from the case study to illustrate your answer. [4 marks]
- (b) Explain what is meant by a barrier to effective communication, using an example from the case study to illustrate your answer. [4 marks]
- (c) Analyse the benefits of having a short chain of command to a business such as Whitbread plc. [8 marks]
- (d) Discuss the advantages and disadvantages of three monetary methods of motivation used within Whitbread plc. [12 marks]
- (e) Evaluate the use of three different electronic methods of communication to a business such as Whitbread plc. [12 marks]

THIS IS THE END OF THE QUESTION PAPER

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