

2

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Question 1 begins on page 3

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Answer **all** the questions.

1 (a) What is meant by the term 'business objective'?

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..... [2]

(b) Outline **one** suitable **profit** objective for *155 Ltd*.

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..... [2]

Question 2 begins on page 4

4

2 In an attempt to understand *155 Ltd's* profitability problems, Sue calculated the following:

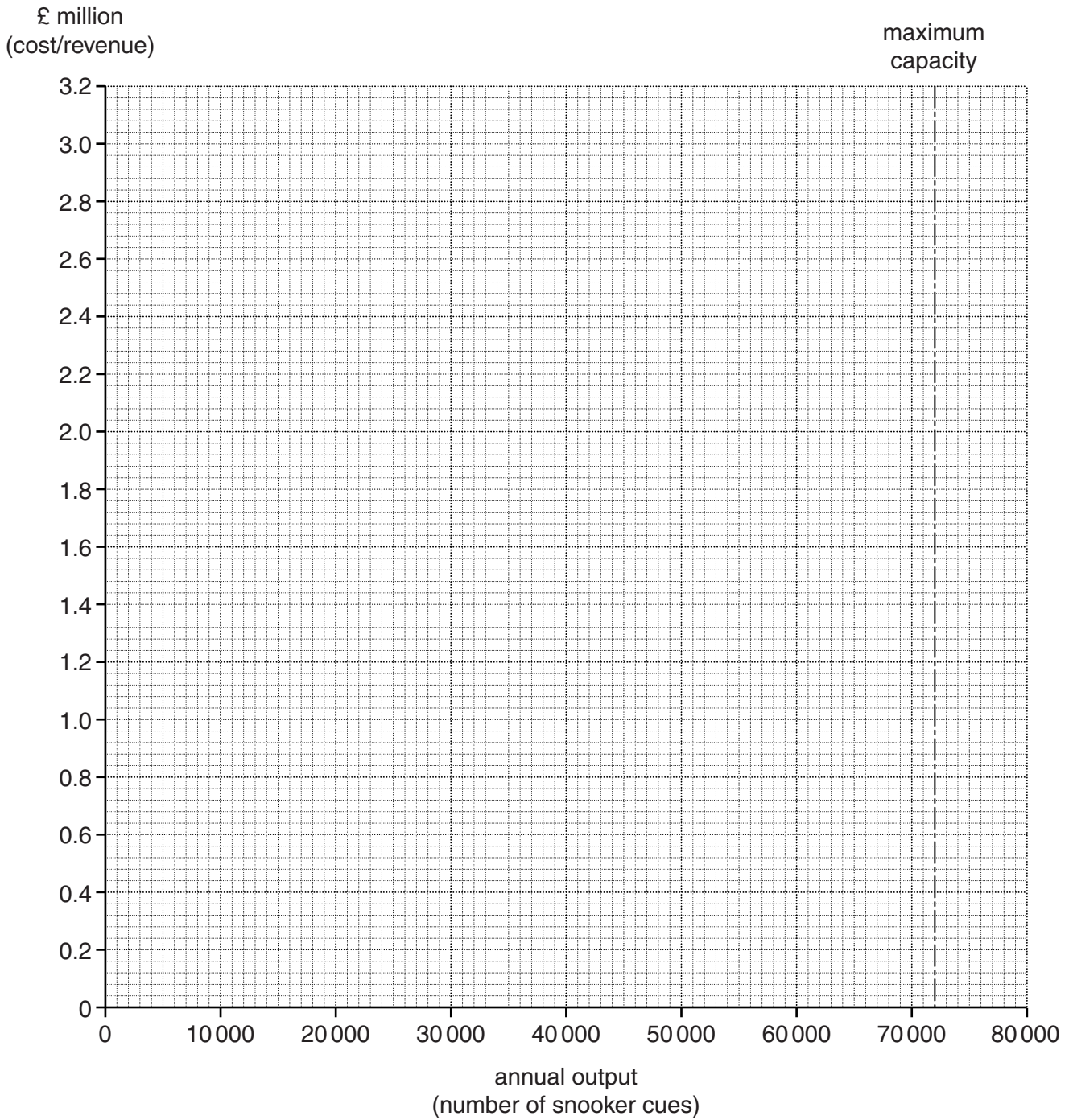
- average selling price of £40 per snooker cue
- variable costs of £10.40 per snooker cue for materials
- variable costs of £9.60 per snooker cue for labour
- fixed costs of £1.2 million for the year.

(a) (i) On the grid opposite, construct and label a break-even chart for *155 Ltd's* current situation. [6]

(ii) Clearly label the break-even point and shade and label the areas of profit and loss on your break-even chart. [3]

Workings:

Break-even chart to show 155 Ltd's current situation



(b) State **three** ways in which a business such as 155 Ltd could increase its profitability.

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- 3 Alec and Sue are concerned about the motivation levels of *155 Ltd's* production staff.

Production staff performance data for 155 Ltd	July 2012 – June 2013	July 2013 – June 2014
Average number of production staff employed	30	30
Total number of labour days	7 170	7 200
Total output of snooker cues	68 000	61 000
Number of defective snooker cues scrapped	2 220	3 050
Number of staff leaving	2	5
Total number of days of absence	352	468

Table 1

Measure	Formula
Labour productivity	$\frac{\text{Total output}}{\text{Number of labour days}}$
Wastage rate	$\frac{\text{Scrapped output}}{\text{Total output}} \times 100$
Rate of labour turnover	$\frac{\text{Number of staff leaving per annum}}{\text{Number of staff employed}} \times 100$
Rate of absenteeism	$\frac{\text{Total number of days of absence}}{\text{Total number of labour days}} \times 100$

Table 2

(a) Using the information given in **Tables 1 and 2**, calculate the following **four** measures of production staff performance for *155 Ltd* during the period July 2013 to June 2014. Show your workings.

Measure	Workings	July 2012 – June 2013	July 2013 – June 2014
Labour productivity		9.48 snooker cues per worker per day	snooker cues per worker per day
Wastage rate		3.26%	%
Rate of labour turnover		6.67%	%
Rate of absenteeism		4.91%	%

[8]

(b) Explain **three** benefits to *155 Ltd* of improving the motivation levels of its production staff.

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[6]

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4 Sue wants Alec to analyse the current process in order to improve production at the factory. A Gantt chart of activities involved in making a typical two-piece snooker cue at *155 Ltd* is shown below.

Activities:	Production process for one two-piece snooker cue																		
A: Select timber	■																		
B: Cut ebony		■	▨																
C: Cut ash		■	■																
D: Make shaft				■	■	▨	▨	▨	▨										
E: Build butt				■	■														
F: Bonding time for butt						■	■	■	■	■	■								
G: Assemble cue												■							
H: Apply lacquer													■						
I: Drying time for lacquer														■	■	■			
J: Quality check																■			
K: Label and package																■			
Time (minutes)	4	8	12	16	20	24	28	32	36	40	44	48	52	56	60	64	68	72	76

Key: ■ = activity time ▨ = slack time

(a) Refer to *155 Ltd's* Gantt chart.

(i) Which activity has the longest duration?

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 [1]

(ii) Which activities are directly dependent on the completion of Activity C?

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 [1]

(iii) Calculate the float-time for Activity D.

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 [1]

(iv) What is the shortest amount of time in which *155 Ltd* can make a two-piece snooker cue?

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 [1]

(v) Identify the sequence of activities on the critical path.

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 [1]

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5 Alec and Sue need to take into account both qualitative and quantitative indicators when considering a change of strategic direction for *155 Ltd*.

(a) Explain **one** difference between qualitative indicators and quantitative indicators.

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..... [2]

(b) Identify **three** external **qualitative** indicators which a business such as *155 Ltd* needs to take into account when considering a strategic change of direction.

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(c) Explain why ARR (accounting (average) rate of return) might be a more useful **quantitative** indicator to *155 Ltd* than payback when considering a change of strategic direction.

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6 (a) Explain how Ansoff's Matrix could help Alex and Sue to decide whether or not to mass produce snooker cues for export to China.

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(b) Explain **two** limitations of using Ansoff's Matrix as a strategic decision-making tool.

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7 (a) Describe **three** economic factors which a business such as *155 Ltd* should take into account when making strategic decisions.

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[6]

Question 7(b) begins on page 16

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