



Oxford Cambridge and RSA

Wednesday 10 June 2015 – Morning

A2 GCE APPLIED BUSINESS

F248/01 Strategic Decision-Making



Candidates answer on the Question Paper.

OCR supplied materials:

- Clean copy Case Study

Other materials required:

- A calculator may be used

Duration: 2 hours



Candidate forename		Candidate surname	
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Centre number						Candidate number			
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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. HB pencil may be used for graphs and diagrams only.
- Answer **all** the questions.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- Write your answer to each question in the space provided. Additional paper may be used if necessary but you must clearly show your candidate number, centre number and question number(s).
- Do **not** write in the bar codes.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- Your quality of written communication will be assessed in the question marked with an asterisk (*).
- The total number of marks for this paper is **100**.
- This document consists of **20** pages. Any blank pages are indicated.



A calculator may
be used for this
paper

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Question 1 begins on page 3

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3

Answer **all** the questions.

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

.....
.....
.....
.....

[2]

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

.....
.....
.....
.....

[2]

Question 2 begins on page 4

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

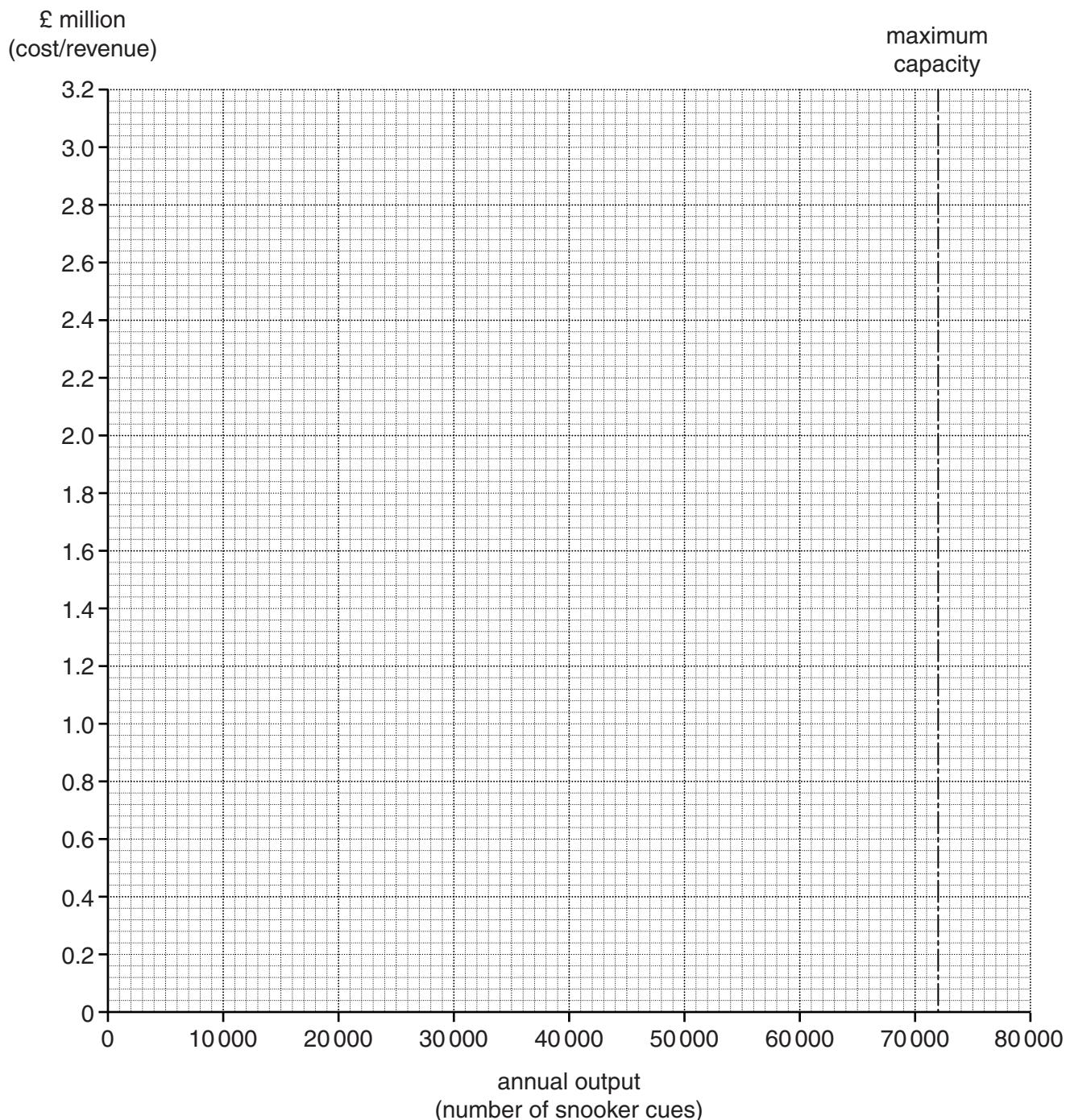
- average selling price of £40 per snooker cue
- variable costs of £10.40 per snooker cue for materials
- variable costs of £9.60 per snooker cue for labour
- fixed costs of £1.2 million for the year.

(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.

1

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2

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3

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[3]

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

Production staff performance data for <i>155 Ltd</i>	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.

1

.....

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2

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3

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[6]

Turn over

(c)* Evaluate ways of improving the motivation levels of production staff at 155 Ltd.

[14]

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																		
	4	8	12	16	20	24	28	32	36	40	44	48	52	56	60	64	68	72	76
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?

.....
..... [1]

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

.....
..... [1]

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

.....
..... [1]

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

.....
..... [1]

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

.....
..... [1]

(b) Evaluate the usefulness of critical path analysis to 155 Ltd.

[8]

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.

[2]

[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.

1

2

3

[3]

(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.

[4]

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.

. [4]

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

1

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.....
.....

2

54

[4]

15

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

1

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2

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3

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[6]

Question 7(b) begins on page 16

(b) Evaluate Sue's proposal to mass produce snooker cues for export to China. [20]

END OF QUESTION PAPER

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