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Oxford Cambridge and RSA

Tuesday 14 June 2016 – Afternoon**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 hoursCandidate
forenameCandidate
surname

Centre number

Candidate number

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. If additional space is required, you should use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.
- 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 **24** pages. Any blank pages are indicated.



**A calculator may
be used for this
paper**

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3

Answer **all** the questions.

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

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..... [1]

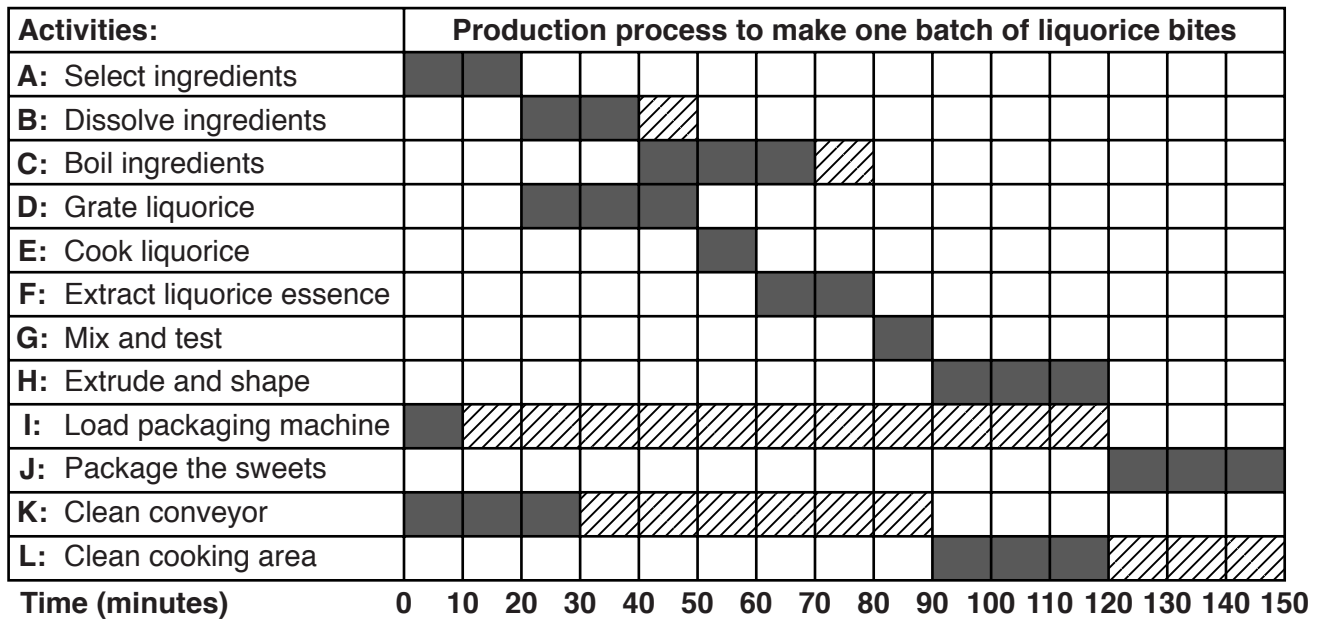
- (b) Identify **three** external stakeholder groups of *Snowdon Sweets Ltd* which are likely to have benefited from the founding directors' commitment to operate the company in an ethical manner.

1
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2
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3
..... [3]

- (c) Why is it important to formalise the aims of a business?

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..... [2]

- 2 A Gantt chart of activities involved in making one batch of *Snowdon Sweets Ltd*'s most popular sweet – liquorice bites – is shown below.



Key: ■ = activity time ▨ = slack time

- (a) Refer to *Snowdon Sweets Ltd*'s Gantt chart.

- (i) How long should it take to complete Activity J: Package the sweets?

.....
 [1]

- (ii) Which activities are directly dependent on the completion of Activity A: Select ingredients?

.....
 [1]

- (iii) Calculate the float-time for Activity K: Clean conveyor.

.....
 [1]

- (iv) What is the shortest amount of time in which *Snowdon Sweets Ltd* can make one batch of liquorice bites?

.....
 [1]

5

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

.....
..... [2]

- (b) *Snowdon Sweets Ltd* is experiencing difficulties with its current batch of liquorice bites.
Activity B: Dissolve ingredients has taken 15 minutes longer than expected.

Using the information on the Gantt chart, calculate the minimum production time for **this** batch of sweets.

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..... [2]

6

- 3 In 2014 *Snowdon Sweets Ltd* entered the herbal remedy market. This new market required its own distinct marketing strategy.

(a) Label the **two** unnamed quadrants in the Ansoff's Matrix grid below.

		PRODUCTS	
		EXISTING	NEW
MARKETS	EXISTING	1	2
	NEW	Market development	Diversification

[2]

- (b) Explain **three** ways in which a marketing strategy for herbal lozenges is likely to differ from a marketing strategy for sweets.

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[6]

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- 4 Some of *Snowdon Sweet Ltd's* directors are concerned about the performance of the employees on the herbal lozenge production line.

Employee performance data for <i>Snowdon Sweets Ltd's</i> herbal lozenge production line	2014
Number of employees leaving	6
Average number of employees	40
Total number of days of absence	588
Total number of labour days	8400
Quantity of defective lozenges (packs)	1.44 million
Total output of lozenges (packs)	9.6 million

Table 1

Measure	Formula
Labour productivity	$\frac{\text{Total output}}{\text{Number of labour days}}$
Wastage rate	$\frac{\text{Defective output}}{\text{Total output}} \times 100$
Rate of labour turnover	$\frac{\text{Number of employees leaving per annum}}{\text{Average number of employees}} \times 100$
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 performance for *Snowdon Sweet Ltd*'s herbal lozenge production employees in 2014. Show your workings.

Measure	Workings	2014
Labour productivity		packs of lozenges per employee per day
Wastage rate		%
Rate of labour turnover		%
Rate of absenteeism		%

[8]

- (b) State **three** ways in which *Snowdon Sweets Ltd* could determine whether the labour productivity of its herbal lozenge production employees is good or bad.

1

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2

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3

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[3]

(c) Evaluate how *Snowdon Sweets Ltd* could improve the leadership of its herbal lozenge production employees. **[8]**

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12

5 Cost and revenue data for *Snowdon Sweets Ltd*'s herbal lozenges is given below.

- Average selling price of 50p per pack of lozenges
- Variable costs of 30p per pack of lozenges
- Apportioned fixed costs of £1.4 million for the year.

(a) (i) On the grid opposite, construct and label a break-even chart for *Snowdon Sweets Ltd*'s herbal lozenges. [6]

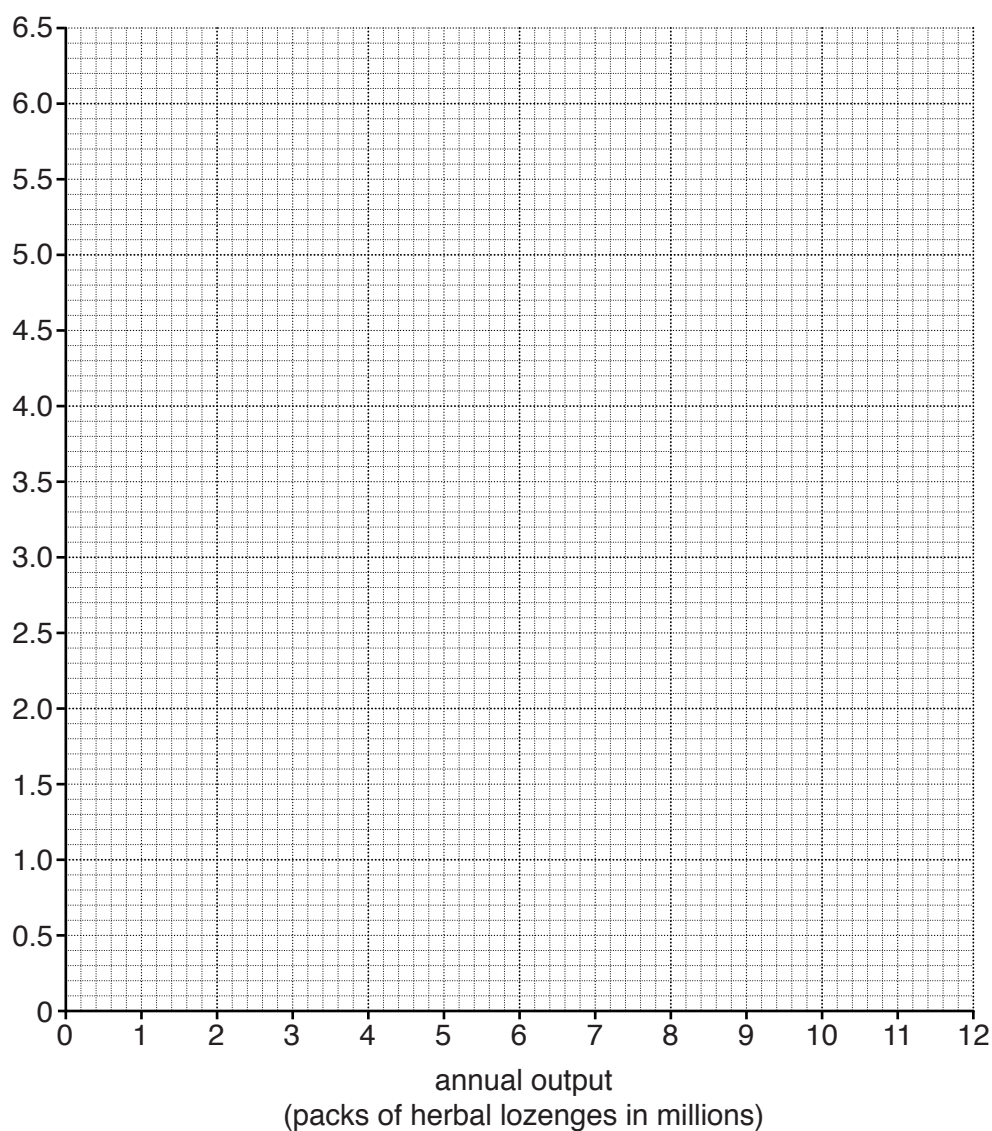
(ii) Clearly label the **break-even point** and the areas of **profit** and **loss** on your break-even chart. [3]

Workings:

13

Break-even chart for *Snowdon Sweets Ltd*'s herbal lozenges

cost/revenue (£ millions)



- (b)*** A publisher is interested in purchasing one million packs of *Snowdon Sweets Ltd*'s herbal lozenges. The packs would be used as free gifts in the next edition of its popular Healthy Lifestyle magazine which is to be published in two months' time. The publisher has offered to pay 38p per pack.

Evaluate whether *Snowdon Sweets Ltd* should accept this special order.

[14]

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[illegible]

[illegible]

16

- 6 One of the options under consideration at *Snowdon Sweets Ltd* is the possibility of buying out its liquorice supplier.

Estimated net cash-flow figures for **Option 1 – Buy the liquorice farm** are given in **Table 3** below.

Year	Estimated net cash-flow in £s
0	(4 000 000)
1	400 000
2	600 000
3	1 000 000
4	1 400 000
5	1 600 000

Table 3

- (a) Calculate the ARR (accounting (average) rate of return) for **Option 1 – Buy the liquorice farm**.

Show your workings:

ARR =%

[4]

- (b) Explain **one** reason why payback calculations might be more useful to *Snowdon Sweets Ltd* than ARR figures.

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..... [2]

- (c) Explain **three** ways in which an increase in UK interest rates may affect *Snowdon Sweets Ltd's* future success.

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[6]

- 7 (a) Chas Perkins is the current Chief Executive Officer (CEO) of *Snowdon Sweets Ltd*.

Explain **two** ways in which the strategic decision-making at *Snowdon Sweets Ltd* may be affected by Chas' desire to innovate.

1

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2

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[4]

- (b)** Taking into account consumer trends and other issues, recommend and fully justify which combination of options under consideration at *Snowdon Sweets Ltd* would best secure the future of the company. [20]

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