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**Monday 12 June 2017 – Afternoon****A2 GCE APPLIED BUSINESS****F248/01** Strategic Decision-Making

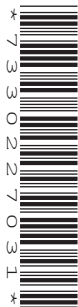
Candidates answer on the Question Paper.

**OCR supplied materials:**

- Clean copy Case Study

**Other materials required:**

- A calculator may be used

**Duration:** 2 hours

Candidate forename		Candidate 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. 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 barcodes.

**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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3

Answer **all** the questions.

- 1 (a) State what is meant by the term 'business aim'.

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

- (b) Identify **one** reason why business objectives should be specific.

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

- (c) Identify **two** external stakeholder groups of *Traditional Timber Toys Ltd (TTT Ltd)* who are likely to benefit from its environmentally-friendly trading practices.

1.....  
2.....  
[2]

- 2 Halep, the Human Resources Director, is concerned about the motivation levels of *TTT Ltd's* Sales Assistants. 2016 workforce data for *TTT Ltd* is given in **Table 1** below.

**Table 1**

<i>Traditional Timber Toys Ltd</i> 2016 workforce data	Store Managers	Sales Assistants
Total number of labour days	10400	68200
Total number of days staff arrived late for work	148	8184
Total number of days staff absent without authorisation	52	5456
Total number of staff who left employment	2	20

- (a) Using the information given in **Table 1**, calculate the 2016 absenteeism rate for:

- *TTT Ltd's* Store Managers
- *TTT Ltd's* Sales Assistants.

	Workings	2016 Absenteeism rate
<i>TTT Ltd's</i> Store Managers		..... %
<i>TTT Ltd's</i> Sales Assistants		..... %

**[4]**

5

- (b) Halep is considering recommending a pay rise for all of *TTT Ltd's* Sales Assistants in an attempt to improve their motivation levels.

Explain **two** ways in which giving *TTT Ltd's* Sales Assistants a pay rise may impact on the internal finances of the company.

1.....

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.....

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2.....

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[4]

- (c) State **two** non-monetary ways of improving the motivation levels of *TTT Ltd's* Sales Assistants.

1.....

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2.....

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[2]

- (d)\* Evaluate likely benefits to *TTT Ltd* of improving the motivation levels of its Sales Assistants.

[14]

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Handwriting practice lines consisting of 25 horizontal dotted lines.

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..... [1]

..... [1]

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



Handwriting practice lines consisting of 25 horizontal dotted lines.

4 *TTT Ltd's* operations are affected by changes in its external business environment.

- (a) State the meaning of each of the economic factors given below and suggest **one** way in which an **increase** in each factor might impact on *TTT Ltd*.

External factor	Meaning	Impact on <i>TTT Ltd</i> of an <u>increase</u> in the external factor
Inflation		
Interest rates		
Taxation		
Employment levels		

[8]

- (b) Identify **one** social trend which may have a positive impact on future sales of wooden toys at *TTT Ltd's* 40 stores.

.....

..... [1]

5 The strategic options under review at *TTT Ltd* need to be carefully considered.

(a) Consider **Option 1 – Online presence**.

State **two** secondary research sources *TTT Ltd* could use to investigate the online market for traditional wooden toys.

1.....  
 .....  
 2.....  
 .....

[2]

(b) Consider **Option 2a – Bamboo toys**.

Explain **two** impacts on *TTT Ltd's* **Store Managers** of the company selling toys made of bamboo.

1.....  
 .....  
 .....  
 .....  
 2.....  
 .....  
 .....  
 .....

[4]

(c) Consider **Option 2b – Mechanical kits**.

State **two** benefits to *TTT Ltd* of minimising wastage levels at its proposed production facility.

1.....  
 .....  
 2.....  
 .....

[2]

12

(d) Consider **Option 3 – Concession agreement**.

Fiona, the Finance Director, has now produced estimated net cash-flow figures for **Option 3 – Concession agreement** as shown in **Table 2** below.

**Table 2**

Year	Estimated net cash-flow in £s
0	(750 000)
1	600 000
2	600 000
3	600 000
4	600 000

(i) Calculate the payback period for **Option 3 – Concession agreement**.

Show your workings:

Payback period = .....

[2]

13

- (ii) Calculate the ARR (accounting (average) rate of return) for **Option 3 – Concession agreement**.

Show your workings:

ARR = ..... %

[2]

- (iii) Using the 10% discount factors shown in **Table 3** below, calculate the NPV (net present value) for **Option 3 – Concession agreement**.

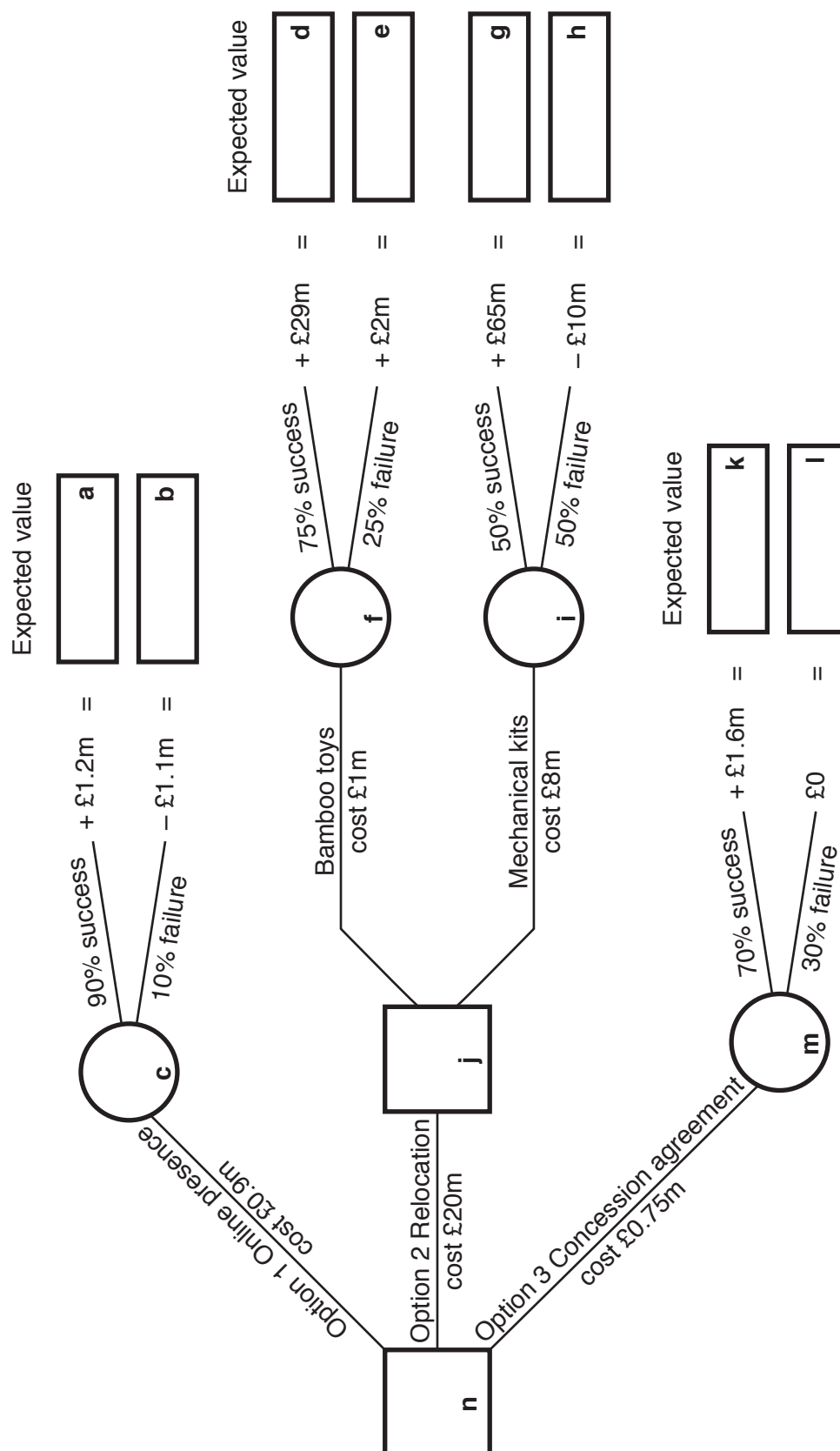
Table 3

Option 3 – Concession agreement			
Year	Estimated net cash-flow	Discount factor at 10%	Present value
0		1.000	
1		0.909	
2		0.826	
3		0.751	
4		0.683	
NPV			£

[2]

6 Benedict wishes to use a decision tree to help evaluate the strategic options under consideration at TTT Ltd.

Complete the decision tree by entering the appropriate value into each of the nodes and boxes labelled **a** - **n**. A box for your workings is provided on the page opposite. [14]



Workings

7 (a) Benedict uses Ansoff's Matrix when considering a change of strategic direction.

(i) Name the quadrant of Ansoff's Matrix applicable to:

- **Option 1 – Online presence**

.....

- **Option 2a – Bamboo toys**

.....

- **Option 2b – Mechanical kits.**

.....

[3]

(ii) Explain why Ansoff's Matrix is of little value to Benedict when considering **Option 3 – Concession agreement**.

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[2]

(b) Using **both** quantitative and qualitative information, evaluate which option (**1, 2a, 2b** or **3**) *TTT Ltd* should choose. [20]

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[illegible]

[illegible]

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**END OF QUESTION PAPER**

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