



GCE AS/A level

1082/01

BUSINESS STUDIES

BS2

A.M. THURSDAY, 19 January 2012

1³/₄ hours

ADDITIONAL MATERIALS

In addition to this examination paper, you will need:

- a calculator;
- a 12 page answer book.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Answer **all** questions.

Write your answers in the separate answer book provided.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

You are reminded that assessment will take into account the quality of written communication used in answers that involve extended writing (question 3).

Answer **all** the questions.

1. McCain Foods

McCain Foods is the world's leading producer of frozen potato products. Although McCain Foods is perhaps best known for producing oven chips, its product lines are much wider. In the UK they include various other potato products such as McCain Wedges and McCain Home Roasts, as well as McCain Sweet Potato and McCain Micro Pizza. In other countries McCain Foods sells a variety of foods including frozen vegetables, ready meals and desserts. Some products, for example McCain Oven Chips, captured the public imagination immediately and continue to sell well without needing to be changed. In terms of the **Boston Matrix**, Oven Chips are certainly a cash cow for McCain Foods. Other products, however, change through time or are adapted to create new variations, e.g. curly fries or thin and crispy fries.



Changes in the range are driven by a number of different factors. For example, microwaveable snacks take account of changing lifestyles, as people are looking for food that does not take long to prepare. McCain Foods has also been responsive to market needs for healthier options and its products support the Government's Change4life campaign. This encourages people to 'Eat Well, Move More, Live Longer'. As a result **Research and Development (R & D)** is a very important **functional department** within the business and helps to maintain McCain's 'It's All Good' message. Not only does McCain food taste good, but it fits in with current thinking on healthy diets. McCain Foods now only uses sunflower oil in the preparation of its chips. It knows that customers want to eat healthily without compromising on taste and it is careful to use wholesome ingredients in its products.

Ever since McCain Foods was founded by three brothers in Canada in 1957, it has been proud of the quality of its products and service. This has been maintained by adopting a **Total Quality Management (TQM)** approach in each of the fifty-seven locations where it operates throughout the world.

Adapted from www.thetimes100.co.uk

- (a) Explain **two** reasons why Research and Development (R & D) is so important to McCain Foods. [4]
- (b) Outline the key elements that a business, like McCain Foods, might include in its approach to Total Quality Management (TQM). [8]
- (c) Discuss the view that in a business, such as McCain Foods, production is the most important functional department. [8]
- (d) Evaluate the usefulness of the Boston Matrix to McCain Foods when using it to manage its large product portfolio. [10]

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2. The ToneZone

Lizzie James and Tony Holmes had set up ‘The ToneZone’ as a partnership in 2007. They had both been employed at the town’s football club – Tony as a player and Lizzie as a sports science consultant. When Tony’s career was ended by a major injury, they decided to set up a fitness consultancy business. For the first four years they had operated from premises which they rented on an annual basis and they had built up a very loyal clientele. At the start of 2011 they moved into their brand new purpose-built fitness centre, having convinced their bank to lend them a substantial amount of money repayable over the next five years. This was a dream come true and the centre was fitted with state-of-the-art rented equipment. They had recruited a receptionist and three newly qualified part-time assistant instructors, enabling Tony and Lizzie to maintain the contracts they had with local authority schools in the town. However, the money from this was very likely to be cut at the end of the financial year.

At the start of 2012, Lizzie was becoming very concerned about the business as it seemed that they had been far too optimistic about the attraction of their new fitness centre, especially as a new ‘Esporta’ fitness centre had just opened on the outskirts of the town. In addition, some of their longer term clients were not happy about the service and advice they were getting from the new part-time staff. A few customers felt that they were quite rude on occasions and that they were not fully competent when giving instructions on how to use the equipment. In fact, some customers were threatening not to renew their annual membership in April. Lizzie drew up a cash flow forecast for the next six months (**Table 1**) and met with Tony to discuss the situation. They needed to act quickly, if Lizzie’s forecast was correct, as the bank manager was very unlikely to extend their overdraft limit.

One area of the business that particularly concerned her was the numerous complaints that had been received about their new staff. When she approached them about this, they pointed out that they had received no guidance or training from either her or Tony on how they wanted them to run the centre when they were not there. They felt very unhappy that they had been thrown in at the deep end, especially as they often found themselves as the only instructor on duty. Lizzie began to realise the *laissez faire* style that they had adopted towards the staff had been a big mistake.

Table 1: Cash flow forecast for The ToneZone January - June 2012**Overdraft Limit: £4 000**

	£000s	£000s	£000s	£000s	£000s	£000s
	January	February	March	April	May	June
Entrance Fees	4 500	4 000	3 800	4 000	4 200	4 200
Membership Fees				60 000		
Schools Contracts	3 000	3 000	3 000			
Total Sales Receipts	7 500	7 000	6 800	64 000	4 200	4 200
Loan Repayments	1 500	1 500	1 500	1 500	1 500	1 500
Wages	2 200	2 200	2 200	2 200	2 200	2 200
Heating and Lighting	50	50	50	50	50	50
VAT			5500			
Telephone	30	30	30	30	30	30
Insurance			1 200			
Equipment Rental	700	700	700	750	750	750
Contract Cleaners	600	600	600	600	600	600
Advertising	200	200	500	500	200	200
Business Rates	900	900	900	900	900	900
Drawings	3 000	3 000	3 000	3 000	3 000	3 000
Total Payments	9 180	9 180	16 180	9 350	9 230	9 230
Net Cash Flow	(i)	(2 180)	(9 380)	54 650	(5 030)	(5 030)
Opening Balance	7 000	5 320	3 140	(6 240)	48 410	43 380
Closing Balance	5 320	3 140	(ii)	48 410	43 380	38 350

- (a) Using the cash flow forecast calculate the:
- (i) net cash flow for January; [1]
 - (ii) closing balance for March. [1]
- (b) Explain the advantages to a business, such as The ToneZone, of drawing up a cash flow forecast. [6]
- (c) Suggest ways in which Lizzie and Tony might improve their worrying cash flow situation **and** consider any consequences your suggestions might have. [8]
- (d) Explain **two** benefits to The ToneZone of having a well-trained workforce. [4]
- (e) To what extent do you agree that The ToneZone's problems are due to Lizzie and Tony's **laissez faire** leadership style? [8]

3. Are you a ROBO Shopper?

Do you visit a store to see what you want to buy, but then order it from the same company's website, so you can return it if you do not like it? The marketing world has an acronym for this behaviour – it is ROBO – Research offline, buy online.

A small but growing number of people, mainly women, are taking advantage of ROBO for clothes and furniture shopping. As there is now nearly a full complement of 'brick and click' stores (i.e. those which have both a High Street and online presence), and as more people learn about their legal rights, this will become the age of the ROBO shopper, leaving some high street stores more like showrooms than actual transaction destinations.

Adapted from the Martin Lewis Blog, 03 September 2010

Consider the view that the growth of internet shopping has benefited consumers more than businesses. [12]

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