

General Certificate of Education  
January 2007  
Advanced Level Examination



**BUSINESS STUDIES**  
**Unit 5**

**BU5W**

Monday 22 January 2007 1.30 pm to 3.00 pm

**For this paper you must have:**

- a 12-page answer book.

You may use a calculator.

Time allowed: 1 hour 30 minutes

**Instructions**

- Use blue or black ink or ball-point pen.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is BU5W.
- Answer the **compulsory** question in **Section A** and **one** question from **Section B**.
- Do all rough work in the answer book. Cross through any work you do not want to be marked.

**Information**

- The maximum mark for this paper is 84.  
Four of these marks will be awarded for the Quality of Written Communication.
- The marks for questions are shown in brackets.
- You are reminded of the need for good English and clear presentation in your answers. All questions should be answered in continuous prose. Quality of Written Communication will be assessed in all answers.

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**SECTION A**

Answer this question. You should spend up to 50 minutes on this section.

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**Total for this question: 40 marks**

**1**

**Mansk Corporation**

The Mansk Corporation is a car manufacturer located in an East European country. In November 2003, the company received a non-repayable subsidy from the government worth £200 million. A new team of senior managers has recently been recruited from the highly successful Japanese car producer, Toyota, with the aim of improving the firm's long-term competitiveness. To do this they have asked the government for a £400 million loan to help to ensure the firm's survival. The managers have proposed that the loan is repayable over 8 years at an interest rate of 1%.

The government was elected in July 2003, and would like the country to join the European Union in the next six years.

**You are a management consultant to the government of this East European country. Analyse the main arguments for and against granting this loan to the Mansk Corporation. Based on this analysis, produce a fully justified recommendation on whether the government should agree to the proposed loan or not (see Appendices A to E on pages 4 and 5).**

*(2 marks are included for appropriate report format)*

**Turn over for the appendices to Question 1**

**Appendix A: Operations data for the Mansk Corporation, 2006**

Capacity utilisation	40%
Average age of equipment	10 years old
Index of unit costs*	149
Number of domestic supplier firms	246
Index of labour productivity*	45

\*base is world industry average = 100

**Appendix B: Finance and human resource data for the Mansk Corporation\***

	2003	2006
Net profit (loss)	(£50m)	(£58m)
Gearing	65%	67%
Net current assets	£6m	£4m
Research & Development (R&D) spending between 2003 and 2006	£27m	
Capital expenditure between 2003 and 2006 (excluding R&D)	£24m	
Increase in average real wages between 2003 to 2006	+ 33.3%	
Number of employees	25 000	25 000
Union membership as % total employees	90%	90%

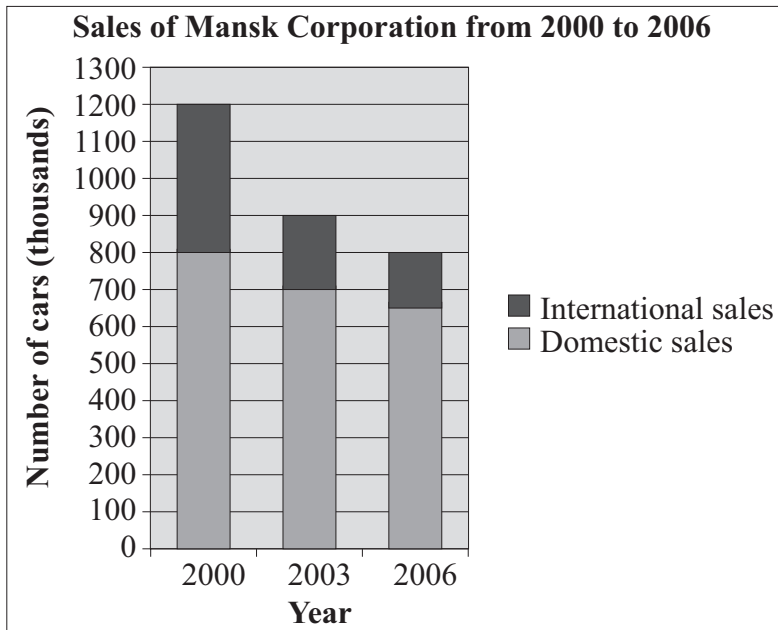
\*all financial figures converted into pounds using the exchange rate on 30 December of relevant year

**Appendix C: National data for the East European country\***

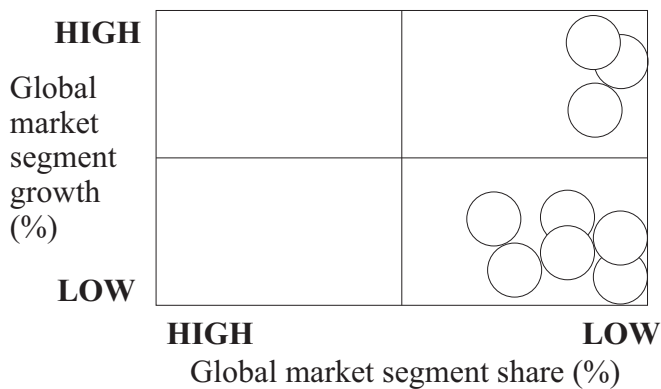
	2003	2006
Total government spending	£190bn	£200bn
Government spending minus government revenue	(£5bn)	(£15bn)
National unemployment	8%	11%
Tax rate on all imported cars	10%	20%
Average tax rate on company profits	30%	36%
Literacy rates of the population aged over 15	60%	60%

\*all financial figures converted into pounds using the exchange rate on 30 December of relevant year

## Appendix D: Marketing data 2006



## Product portfolio analysis for Mansk Corporation's sales, 2006 (each circle represents a model of car)



## Appendix E: Forecast changes between 2007 and 2010

Value of the country's currency against major trading partners	-20%
Real GDP of the country	+1.8%
Interest rates within the country	down from 4% to 2%
Global sales of cars (all producers)	from 60m to 66m cars
Global car production capacity (all producers)	from 80m to 90m cars

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**SECTION B**

Answer **one** question from this section.

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- 2 The Sony Corporation is a multinational business that operates in several product markets such as music, electronics and films, all of which experience rapid change. To what extent can Sony protect itself against the dangers of change? *(40 marks)*
- 3 The total number of national newspapers sold in the UK has been in decline for several years. Evaluate the ways in which the companies that own national newspapers in the UK might react to this decline. *(40 marks)*
- 4 On average, the largest 100 UK public limited companies (plcs) spend less than 1% of their turnover on charity. Should the directors of these companies make the donation of more money to charity a priority for their organisations? *(40 marks)*
- 5 The average price of personal computers has fallen significantly in the UK in recent years. Discuss whether firms that operate in this industry are ultimately doomed. *(40 marks)*

**END OF QUESTIONS**

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