

General Certificate of Education
January 2008
Advanced Level Examination



BUSINESS STUDIES
Unit 5

BU5W

Monday 21 January 2008 1.30pm to 3.00pm

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 from **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 using good English, organising information clearly and using specialist vocabulary where appropriate.
- The marks for questions are shown in brackets.

SECTION A

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

Total for this question: 40 marks

1

Durva Drinks Ltd

Rupa Chandarana established Durva Drinks Ltd in 2003 to produce an ‘all natural, organic’ energy drink. Her aim at the moment is to expand the business. Last week, Rupa was approached by a large supermarket chain. The supermarket has outlets all over continental Europe and wants to sell her energy drink for a trial period of six months in France. Further orders may follow. To meet French tastes, some changes will need to be made to the product. If Durva Drinks Ltd accepts the contract, it must be able to produce the amended product within seven weeks or pay a fine for any delays. It must also subsidise the promotion of the product in the French stores. The only way this order can be produced in the short term is by running some extra evening and weekend shifts; Rupa hopes to attract volunteers from the existing staff to work more hours by paying them overtime rates. Rupa is keen to accept the order but there is some resistance from her senior managers; some want to focus on the UK market whilst others think that the order is a distraction from internal issues and longer term considerations. Rupa is also aware that the Trade Union representative is eager to meet with her.

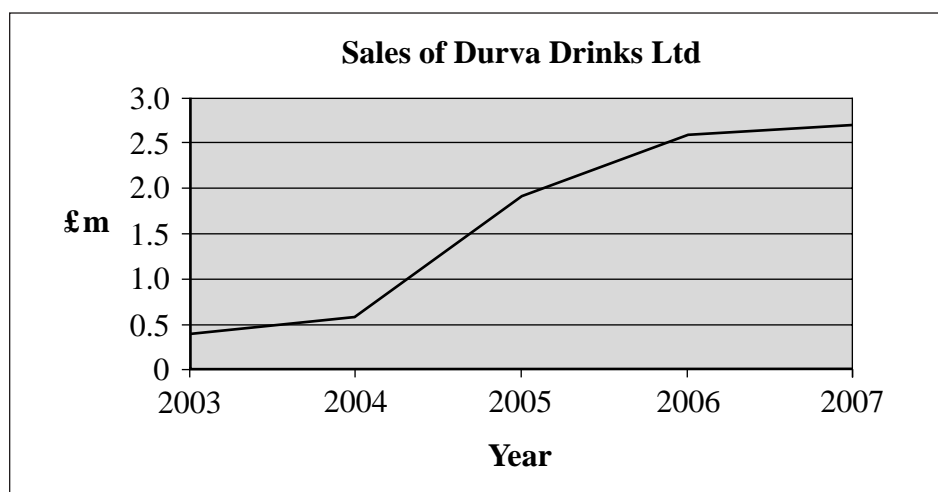
Rupa has asked you, an independent management consultant, to advise her on this deal. With reference to the appendices included on pages 4 and 5, write a report analysing the main arguments for and against accepting the French supermarket’s order. Based on this analysis, produce a fully justified recommendation on whether Rupa should agree to accept the order or not.

(2 marks are included for appropriate report format)

Turn over for the appendices to Question 1

Appendix A: Marketing data for Durva Drinks Ltd – 31 December 2006 to 31 December 2007

Change in UK market share	–2%
Change in average selling price per bottle to UK retailers	–8%
Change in marketing expenditure	+20%


Appendix B: Financial, production and sales data for Durva Drinks Ltd before the proposed new order (year ending 31 December 2007)

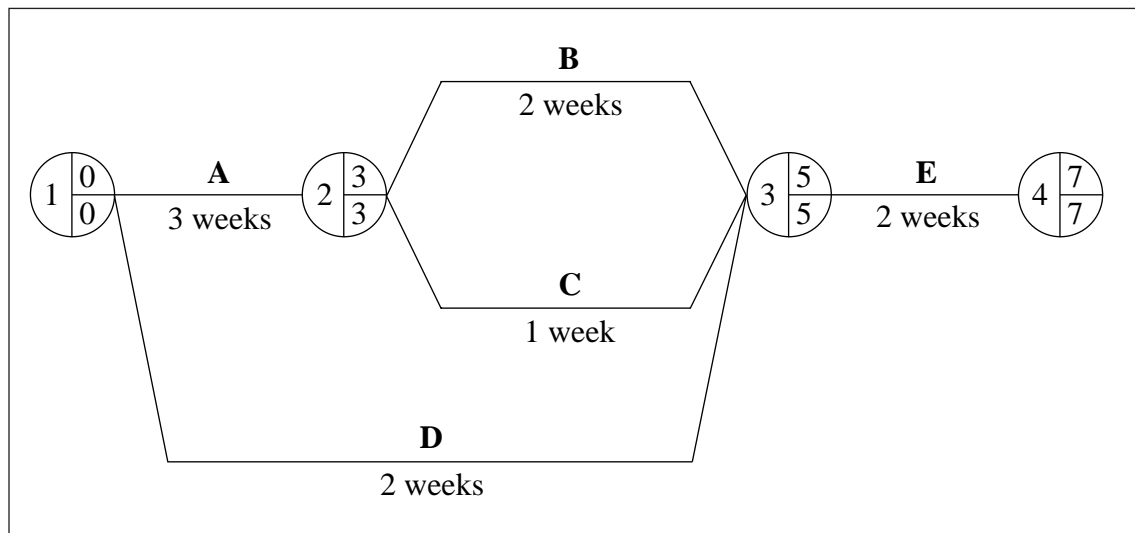
Capacity per annum (without extra shifts)	5 million bottles
UK sales	4.5 million bottles
Overseas sales	0 bottles
Average selling price per bottle to retailers within the UK	60 pence
Average contribution per bottle from UK orders	20 pence
Net profits	£200 000
Net current assets as at 31 December 2007	£2 000

Appendix C: Details of proposed new order

Investment required by Durva Drinks Ltd to develop the new product	£20 000
Investment required by Durva Drinks Ltd to subsidise promotion of product	£18 000*
Selling price per bottle to supermarket	48 pence*
Contribution per bottle	6 pence*
Order quantity for trial period	1.2 million bottles
Total contribution of the order (after investment costs)	£34 000*
Payment terms	160 days after delivery
Penalty fine if agreed date to launch the new product is missed	£5000 for each day's delay*
Branding	Product to be sold under supermarket's brand name

*calculated using the value of the pound in euros on 31 December 2007

Appendix D: Developing and launching the new product for the French supermarket order



Activity	Description	Float time (weeks)
A	Develop product	0
B	Organise supplies	0
C	Develop labelling	1
D	Organise staffing	3
E	Testing and delivery	0

Source: RUPA CHANDARANA

Appendix E: Memo (sent before news of the French supermarket order)

To: Rupa Chandarana, Managing Director
 From: Romily Watts, Human Resources Manager
 Date: 10 January 2008
 Title: Latest data on employees

The pressure on staff has been increasing. We have experienced rapid growth in production since 2004 but have recruited few extra staff.

Important employee data are given below:

Average pay	up 7% over the past 12 months
Number of accidents in the factory	up 12% over the past 12 months
Number of stoppages on production line	up 40% over the past 12 months
Labour turnover	14% last year compared with 10% the year before
Percentage of workforce in a union	85% last month compared with 75% a year ago

The trade union representative is asking for an urgent meeting with you as staff feel that they are not consulted enough.

Turn over for the next section

SECTION B

Answer **one** question from this section.

- 2 The pharmaceutical market is worth over £300 billion worldwide. It is dominated by a few large global firms such as GlaxoSmithKline and AstraZeneca, which have earned high levels of profits in recent years. To what extent should the UK government attempt to control the prices of new drugs that are launched by these companies? *(40 marks)*
- 3 Macroeconomic factors determine the success of estate agents in the UK far more than they determine the success of businesses in other industries. To what extent do you agree with this statement? *(40 marks)*
- 4 With reference to organisations, markets or industries that you know, to what extent do you think that the internet is a threat rather than an opportunity for business? *(40 marks)*
- 5 In 2006, Nippon Sheet Glass, a Japanese glass manufacturer, took over Pilkington, a UK glass producer. In the same year, L'Oréal, the cosmetics manufacturer, bought control of the Body Shop, a beauty products retailer. With reference to these or any other takeovers you know, to what extent is taking over another business a good way for a firm to increase its competitiveness? *(40 marks)*

END OF QUESTIONS

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