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You must ensure that your answers to parts of the questions are clearly numbered.

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Answer ALL questions

1. Cox and French plc produce soft furnishings (e.g. curtains, upholstery, loose covers for furniture and cushions) for direct sale to the market. Since the foundation of the business in 1984, the target market has been socio-economic groups A and B. These are customers who are likely to have expensive homes with top-of-the-range furnishings. Even in this niche market there is strong competition. New styles and ranges of product need to be introduced regularly.

The Research and Development Department of *Cox and French plc* has produced designs for a new range of products to be introduced in the summer of 2008. The Marketing Department has researched the market, using a panel of existing customers to give their opinion on a sample of the planned range. The department also consulted both independent product experts and specialists in forecasting economic trends.



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In deciding whether to introduce the new range of products, in order to assist the directors, the marketing department has set out the problem in the form of a decision tree. The research and development costs already incurred are £50000, which have to be paid even if the new range is not introduced. Full development and launch will cost £500000, a figure which includes the £50000 already spent.

Expert opinion states that there is a 60 per cent chance of an upturn in the economy during 2008–2009 and a 40 per cent chance of a downturn.

In the event of an economic upturn, there would be a 70 per cent chance of receiving £2.1 million in gross revenue and a 30 per cent chance of receiving £1.5 million.

In the event of a downturn in the economy, there would be a 20 per cent chance of receiving £1.8 million in gross revenue and an 80 per cent chance of receiving £0.8 million.

(b) (i)	Using the data above, construct the decision tree and recommend the course of action which <i>Cox and French plc</i> should take.



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blank (ii) Evaluate the uses and limitations to Cox and French plc of using decision tree analysis in this context.



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Note: the data provided in Question 1 is also relevant to your answers to Question 2.

2.	Here is an extract	from the	published	accounts	for	Cox	and	French	plc	for	the	finan	cial
	year 2007:												

Profit and Loss Account	£m	Balance Sheet	£m
Turnover	6.4	Fixed Assets	4.0
Cost of Goods Sold	4.6	Current Assets:	
Other Costs	1.0	Stock Debtors Cash	2.4 1.2 0.2
Profit before interest and tax	0.8	Current Liabilities Net Current Assets	3.4 0.4
		Share Capital Reserves Long-Term Loan	2.0 0.8 1.6

With reference to the accounting data provided above, evaluate the financial position and performance of <i>Cox and French plc</i> .



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blank (c) Analyse the ways in which Value Analysis could be used by Cox and French plc with reference to the new product line.



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