OCR
Oxford Cambridge and RSA

Wednesday 10 June 2015 – Morning

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 bar codes.

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**

Turn over

2
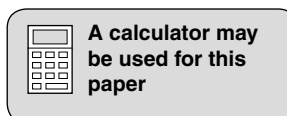
BLANK PAGE

Question 1 begins on page 3

PLEASE DO NOT WRITE ON THIS PAGE

Answer **all** the questions.

1 **(a)** What is meant by the term 'business objective'?

....

....

....

.... **[2]**

(b) Outline **one** suitable **profit** objective for *155 Ltd.*

....

....

....

.... **[2]**

Question 2 begins on page 4

2 In an attempt to understand *155 Ltd*'s profitability problems, Sue calculated the following:

- average selling price of £40 per snooker cue

- variable costs of £10.40 per snooker cue for materials

- variable costs of £9.60 per snooker cue for labour

- fixed costs of £1.2 million for the year.

(a) (i) On the grid opposite, construct and label a break-even chart for *155 Ltd*'s current situation. **[6]**

(ii) Clearly label the break-even point and shade and label the areas of profit and loss on your break-even chart. **[3]**

Workings:

Break-even chart to show *155 Ltd*'s current situation

£ million
(cost/revenue)

maximum
capacity

annual output
(number of snooker cues)
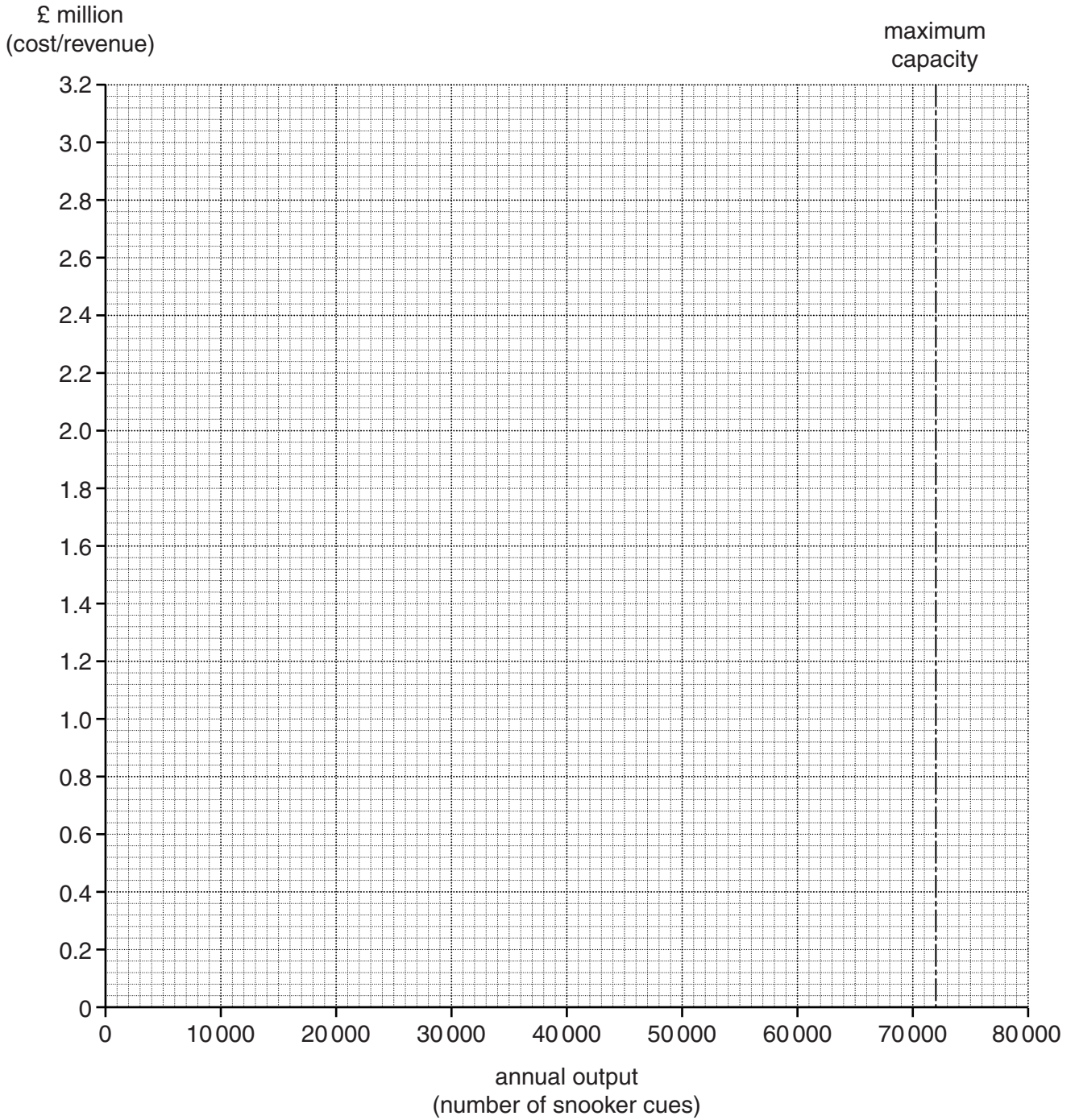
(b) State **three** ways in which a business such as *155 Ltd* could increase its profitability.

1 ....

....

2 ....

....

3 ....

....

[3]

3 Alec and Sue are concerned about the motivation levels of *155 Ltd*'s production staff.

Production staff performance data for *155 Ltd*	July 2012 – June 2013	July 2013 – June 2014
Average number of production staff employed	30	30
Total number of labour days	7 170	7 200
Total output of snooker cues	68 000	61 000
Number of defective snooker cues scrapped	2 220	3 050
Number of staff leaving	2	5
Total number of days of absence	352	468

Table 1

Measure	Formula
Labour productivity	$\dfrac{\text{Total output}}{\text{Number of labour days}}$
Wastage rate	$\dfrac{\text{Scrapped output}}{\text{Total output}} \times 100$
Rate of labour turnover	$\dfrac{\text{Number of staff leaving per annum}}{\text{Number of staff employed}} \times 100$
Rate of absenteeism	$\dfrac{\text{Total number of days of absence}}{\text{Total number of labour days}} \times 100$

Table 2

(a) Using the information given in **Tables 1 and 2**, calculate the following **four** measures of production staff performance for *155 Ltd* during the period July 2013 to June 2014. Show your workings.

Measure	Workings	July 2012 – June 2013	July 2013 – June 2014
Labour productivity		9.48 snooker cues per worker per day	snooker cues per worker per day
Wastage rate		3.26%	%
Rate of labour turnover		6.67%	%
Rate of absenteeism		4.91%	%

[8]

(b) Explain **three** benefits to *155 Ltd* of improving the motivation levels of its production staff.

1 ....

....

....

....

2 ....

....

....

....

3 ....

....

....

....

[6]

(c)* Evaluate ways of improving the motivation levels of production staff at *155 Ltd.* **[14]**

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

Turn over

4 Sue wants Alec to analyse the current process in order to improve production at the factory. A Gantt chart of activities involved in making a typical two-piece snooker cue at *155 Ltd* is shown below.

Activities:	Production process for one two-piece snooker cue																		
A: Select timber	▓																		
B: Cut ebony		▓	▨																
C: Cut ash		▓	▓																
D: Make shaft				▓	▓	▨	▨	▨	▨	▨									
E: Build butt				▓	▓														
F: Bonding time for butt						▓	▓	▓	▓	▓	▓								
G: Assemble cue												▓							
H: Apply lacquer													▓						
I: Drying time for lacquer														▓	▓	▓	▓		
J: Quality check																		▓	
K: Label and package																			▓
Time (minutes)	4	8	12	16	20	24	28	32	36	40	44	48	52	56	60	64	68	72	76

Key: ▓ = activity time   ▨ = slack time

(a) Refer to *155 Ltd*'s Gantt chart.

(i) Which activity has the longest duration?

....

.... **[1]**

(ii) Which activities are directly dependent on the completion of Activity C?

....

.... **[1]**

(iii) Calculate the float-time for Activity D.

....

.... **[1]**

(iv) What is the shortest amount of time in which *155 Ltd* can make a two-piece snooker cue?

....

.... **[1]**

(v) Identify the sequence of activities on the critical path.

....

.... **[1]**

(b) Evaluate the usefulness of critical path analysis to *155 Ltd*. **[8]**

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

Turn over

....

....

....

....

....

....

5 Alec and Sue need to take into account both qualitative and quantitative indicators when considering a change of strategic direction for *155 Ltd*.

(a) Explain **one** difference between qualitative indicators and quantitative indicators.

....

....

....

.... **[2]**

(b) Identify **three** external **qualitative** indicators which a business such as *155 Ltd* needs to take into account when considering a strategic change of direction.

1 ....

....

2 ....

....

3 ....

....
[3]

(c) Explain why ARR (accounting (average) rate of return) might be a more useful **quantitative** indicator to *155 Ltd* than payback when considering a change of strategic direction.

....

....

....

....

....

....

....

.... **[4]**

Turn over

6 (a) Explain how Ansoff's Matrix could help Alex and Sue to decide whether or not to mass produce snooker cues for export to China.

....

....

....

....

....

....

....

.... **[4]**

(b) Explain **two** limitations of using Ansoff's Matrix as a strategic decision-making tool.

1 ....

....

....

....

2 ....

....

....

....

 [4]

7 **(a)** Describe **three** economic factors which a business such as *155 Ltd* should take into account when making strategic decisions.

1 ....

....

....

....

2 ....

....

....

3 ....

....

....

[6]

Question 7(b) begins on page 16

Turn over

(b) Evaluate Sue's proposal to mass produce snooker cues for export to China. **[20]**

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

END OF QUESTION PAPER

BLANK PAGE

PLEASE DO NOT WRITE ON THIS PAGE

PLEASE DO NOT WRITE ON THIS PAGE