

Centre Number						Candidate Number				
Surname										
Other Names										
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
TOTAL	



General Certificate of Secondary Education  
June 2013

# Business Studies

# 413002

## Unit 2 Growing as a Business

Friday 24 May 2013 9.00 am to 10.00 am

**You will need no other materials.**  
You may use a calculator.

### Time allowed

- 1 hour

### Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

### Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 60.
- You are reminded of the need for good English and clear presentation in your answers. Quality of Written Communication will be assessed in questions 1(d), 2(d) and 3(d).



J U N 1 3 4 1 3 0 0 2 0 1

Answer **all** questions in the spaces provided.

**Total for this question: 21 marks**

**1** Read **Item A** and then answer the questions that follow.

**Item A**

**Power Press Ltd**


*Power Press Ltd (PPL)* is a manufacturer of gym equipment. *PPL* makes its multi-gyms using batch production. The equipment can be altered to meet customers' requirements. For example, if the customer wants heavier weights or extra features added, this can be done. The Managing Director believes that *PPL* could save money by manufacturing the multi-gyms using flow production.

The business employs 60 employees. Most of the employees are low skilled and are paid the minimum wage. Last year, 18 of the employees left the business, which is a much higher staff turnover rate than for other similar businesses.

The Managing Director conducted a study of the reasons why employees leave. He found that there were three main reasons.

- The one day induction training programme did not prepare new employees for working at *PPL*.
- Employees thought the work was boring.
- There was little opportunity to socialise with other employees.

Recently, several multi-gyms were found to have faults when they were tested for quality. The faults were caused by some of the multi-gyms' steel tubing not being properly bent. This faulty tubing could make the multi-gyms unsafe to use. The Managing Director believes that several of *PPL*'s employees lack the skill to do the tube bending. He is considering outsourcing the tube bending to a local specialist business.



Source: photograph, *Getty Images*

**1 (a)** Describe what is meant by a 'limited company'.

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*(2 marks)*



**1 (b)** State **two** items that might be included in an induction programme. Explain why each is important to a new employee.

Item 1 .....

Explanation .....

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Item 2 .....

Explanation .....

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(4 marks)

**1 (c)** Explain how outsourcing the tube bending might help *PPL* when making its multi-gyms.

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**1 (d)** PPL's Managing Director is thinking about changing from batch production to flow production, to assemble the multi-gyms.

Advise the Managing Director on whether or not you believe that this is a good idea for PPL. Use the information in **Item A** to support your answer.

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**Total for this question: 19 marks**

**2** Read **Item B** and then answer the questions that follow.

**Item B**

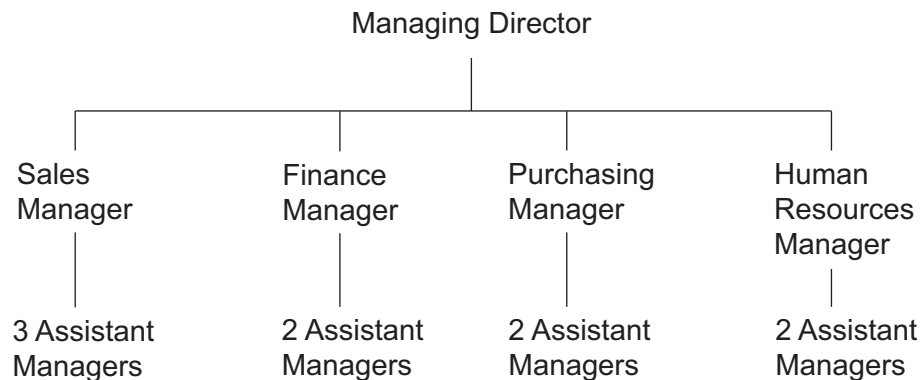
**Kenway Builders plc**



*Kenway Builders plc (KB)* is a large construction company that specialises in building luxury houses. The business was set up in Leeds in 1950. The business now builds houses throughout the UK. The business does not use standard designs for the houses it builds. Houses are built to fit in with the traditional styles and materials of the area. All of its senior managers are based at the company headquarters in Leeds.

*KB* has seen a fall in demand for houses in most parts of the country except the south of England. Many of *KB*'s newly-built houses are unsold despite the hard work of the sales team to find buyers. *KB* has always used the cost-plus method when pricing its houses.

**Figure 1: Kenway Builders plc, Current Senior Management Organisation Chart**



*KB* is considering changing the way in which the business is managed. The Managing Director believes that the business needs to decentralise its offices. The business sees benefits in having three regional offices: a northern office in Leeds, a central office in Birmingham and a southern office in Guildford.

Source: photograph, *Getty Images*



**2 (a)** Describe what is meant by 'span of control' in an organisation chart.

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**2 (b)** Describe **two** suitable ways in which *KB*'s sales team might advertise the newly-built houses.

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**Question 2 continues on the next page**

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**2 (c)** *KB* is thinking of changing from having one national headquarters to three regional offices.

Describe **two** benefits to *KB* of having regional offices.

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**2 (d)** *KB* is trying to sell more houses. Advise the Managing Director on whether cost-plus is the best pricing strategy to use to help the business achieve an increase in sales. Use **Item B** to support your answer.

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Total for this question: 20 marks

3 Read **Item C** and then answer the questions that follow.**Item C****HighSkies plc**

*HighSkies* plc is a UK-based low cost airline set up by Petros Andreou. The business has seen rapid growth since it started in 1994 and it became a plc in 2003. Most of the growth has been achieved from takeovers. *HighSkies* has taken over two struggling budget airlines since becoming a plc and plans to take over a third airline. To do this, *HighSkies* needs to find £80 million of funding. At the moment, interest rates are low, which makes it cheaper to raise the money. The increasing cost of fuel, however, has made it more expensive to run an airline.

The number of passengers flying with *HighSkies* is increasing steadily. This is because passengers are unwilling to pay the high fares charged by the established airlines.

*HighSkies* has made major shareholder Petros a multi-millionaire, which was the objective of the business when he set the business up. However, *HighSkies*' objective has recently changed and is now as follows.

*"To create an airline that respects the interests of all its stakeholders, especially its customers and those who work for HighSkies."*

**Figure 1: Extracts from HighSkies plc's Income Statement (Profit and Loss Account)**

	2012 (£million)	2011 (£million)
Revenue (sales)	300	280
Cost of sales (cost of goods sold)	240	210
Expenses	55	40

$$\text{Gross profit margin} = \frac{\text{Gross profit}}{\text{Revenue}} \times 100$$

*HighSkies plc's* Gross profit margin for 2011 is 25%.



3 (a) Describe **one** benefit to a business of becoming a public limited company (plc).

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3 (b) (i) Calculate *HighSkies*' gross profit margin percentage for 2012.

Gross profit margin percentage .....

Workings .....

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(3 marks)

3 (b) (ii) Explain **one** reason why *HighSkies*' gross profit margin percentage might have changed between 2011 and 2012.

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Question 3 continues on the next page

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**3 (c)** *HighSkies'* objective has recently changed and is now as follows.

*"To create an airline that respects the interests of all its stakeholders, especially its customers and those who work for HighSkies."*

Explain why *HighSkies'* shareholders might be unhappy with the company's new objective.

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**3 (d)** *HighSkies'* Directors need to raise £80 million to continue to expand the business. They are considering two ways of doing this:

- to sell more shares in the business
- to obtain a loan from a bank.

Advise *HighSkies'* Directors on which would be the best way of raising the money. Use **Item C** to support your answer.

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**END OF QUESTIONS**



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