General Certificate of Education
January 2004
Advanced Subsidiary Examination

ASSESSMENT and QUALIFICATIONS ALLIANCE

BUSINESS STUDIES **BUS1**
Unit 1

Monday 12 January 2004 Afternoon Session

In addition to this paper you will require:
an 8-page answer book.
You may use a calculator.

Time allowed: 1 hour

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 BUS1.
- Answer **both** questions.
- Do all rough work in the answer book. Cross through any work you do not want marked.

Information

- The maximum mark for this paper is 52.
- Mark allocations are shown in brackets.
- Both questions carry equal marks.
- You will be assessed on your ability to use an appropriate form and style of writing, to organise relevant information clearly and coherently, and to use specialist vocabulary, where appropriate. The degree of legibility of your handwriting and the level of accuracy of your spelling, punctuation and grammar will also be taken into account.
- Up to 2 marks will be awarded for the quality of your written communication.

Answer **both** questions.

1 **Total for this question: *25 marks***

Study the information and answer **all** parts of the question that follows.

Text extract adapted from *Matalan* website, 7 May 2002, and *BBC News* website, 23 October 2002 – not reproduced here, due to third-party copyright constraints.

(a) What is meant by the term marketing "objectives" (line 4)? *(2 marks)*

(b) Matalan originally decided on a strategy of price penetration. Explain **one** factor that might have influenced the company's decision. *(4 marks)*

(c) (i) Calculate the value of sales achieved by Matalan in 2001. *(3 marks)*

(ii) During the first six months of 2002, Matalan's profits rose by 9% while its sales value increased by 4%. Examine **two** reasons why the company's profits might have risen more quickly than its sales. *(6 marks)*

(d) Matalan is changing its image and preparing to compete with mass market retailers such as Marks and Spencer and BHS. Discuss the case for and against this new marketing strategy. *(10 marks)*

2 **Total for this question:** ***25 marks***

Study the information and answer **all** parts of the question that follows.

MYNYDD FARMS LTD

After four years' trading, Mynydd Farms Ltd has proved to be a profitable venture. The company was formed following a merger of three independently-owned farms and sells meat, milk, fruit and vegetables to shops and restaurants in mid and west Wales. It has benefited from the increasing popularity of high quality, locally produced foodstuffs.

Last year, the directors took some important decisions. The directors were keen to expand the range of products supplied by the farm to build upon its reputation for quality. They considered a proposal to make cheese from some of the company's milk. The directors conducted qualitative market research amongst Mynydd Farms' retailers. This gave guidance on the products consumers would buy as well as on the prices they would be prepared to pay.

Mynydd Farms' directors decided to appoint a manager for cheese production and to run it as a profit centre. Mynydd Farms operates several profit centres and extended this approach to its new venture. Three new employees were appointed to look after cheese production. This team drew up monthly budgets for the first year of production.

Revenues and Costs for Cheese Production – January

	Budget £	**Actual £**
REVENUE		
Sales to retailers	12 000	11 000
Sales to restaurants	8 500	6 050
Total Revenue	20 500	17 050
COSTS		
Labour	9 500	10 100
Heat & Light	750	850
Materials	5 400	5 750
Marketing	1 000	1 500
Overheads	1 500	1 500
Total Costs	18 150	19 700

However, after several months of production the financial position of the project was poor. The budgets proved to be highly inaccurate; sales were lower than expected despite offering retailers up to 60 days' trade credit. This resulted in wastage. Labour costs were much higher than forecast, although overheads were predicted correctly. One director commented that it may have been unwise to delegate control of budgets in these circumstances. The cash flow position for cheese production was weak. Cash outflows had exceeded inflows for each of the first six months of production.

(a) Define the term "overheads" (line 17). *(2 marks)*

(b) (i) Explain **one** reason why Mynydd Farms may have chosen to use **qualitative** market research. *(3 marks)*

(ii) Calculate the profits variance for cheese production for January. *(5 marks)*

(c) Analyse **one** benefit that Mynydd Farms might receive as a result of delegating control of its budgets. *(6 marks)*

(d) Discuss the ways in which Mynydd Farms might improve the cash flow position of cheese production. *(9 marks)*

END OF QUESTIONS

Copyright © 2004 AQA and its licensors. All rights reserved