

FOR OFFICIAL USE

Centre No.	Subject No.	Level	Paper No.	Group No.	Marker's No.
------------	-------------	-------	-----------	-----------	--------------

Total

--	--

[C010/SQP047]

Intermediate 1
Business Management
Specimen Question Paper

Time: 1 hour 15 minutes

NATIONAL
QUALIFICATIONS

Fill in these boxes and read what is printed below.

Full name of centre

--

Town

--

First name and initials

--

Surname

--

Date of birth

Day Month Year

--	--	--	--	--	--

Candidate number

--	--	--	--	--	--	--	--	--	--

Number of seat

--

50 marks are allocated to this paper:

25 marks for Section **one** and 25 marks for Section **two**.

Read each question carefully.

Attempt **all** the questions.

All answers are to be written in this answer book.

Do **not** write in the margins.

Before leaving the examination room you must give this book to the invigilator. If you do not, you may lose all the marks for this paper.

SECTION ONE

[This Section should take you no more than 35 minutes]

Read the following:

George and James Black are brothers who had worked for Omega in Dumfries since 1985. Omega made printed circuit boards for use in the electronics industry. George worked in



the production area and James worked in the test and inspection area. Omega manufactured printed circuit boards to order for companies like British Telecom and British Aerospace, as well as for other companies. Sizes of orders varied from a few boards to several hundreds. Most of the firm's customers were in England.

George and James had developed considerable expertise in the process involved in making printed circuit boards. In the early 1990s George realised Omega was having problems supplying customers who wanted particular types of board. These were small quantities ordered for a *specialist market*. They were costly to supply, there were problems regarding quality when they were inspected and they were often delivered late.

Their friend, Alan Dawson, had previously been a salesman with Omega but had been working in the *marketing department* of a personal computer distributor for the last 5 years. The three decided to set up their own business — BD Circuits — to make specialist printed circuit boards. Alan's wife, Julie, joined them—she had worked in the *human resources department* of Omega.

Alan was keen to make personal contact with potential customers. In this market, visits by sales representatives are a very important part of marketing. Advertising in specialist trade magazines is also important in order to make potential customers aware of the product and the company.

The four used their savings and each put £10,000 into the business, for which each received 10,000 £1 shares. The business was a private limited company with four directors—George, James, Alan and Julie.

George and James were responsible for Operations. Alan was in charge of Marketing and Sales and Julie was responsible for Human Resources Management and Finance.

Questions

1. (a) The Marketing Manager of BD Circuits, Alan Dawson, decides to consider how BD Circuits could improve their business. Describe the market for BD's products.

2

- (b) Describe the importance of marketing to BD Circuits.

2

- (c) For each element of the marketing mix (product, price, place, promotion), describe one way in which BD Circuits could improve their business.

4

(d) Describe a method of market research which BD Circuits could use.

2

2. What elements of human resources management will Julie have to undertake in her dealings with employees?

(i)

(ii)

(iii)

(iv)

4

3. The 3 types of production are job, batch and flow. Describe each of these terms, using examples. (Examples can be taken from BD Circuits or from any other business that you know of.)

Job

Batch

Marks

Flow _____

6

4. Name 3 possible sources of finance that BD Circuits could make use of, if, at a later date, they want to expand.

3

5. Describe how management at BD Circuits might make use of published financial information (eg profit and loss account, balance sheet, cash flow statement) about the company.

2

TOTAL 25 marks

[END OF SECTION ONE]

SECTION TWO

[This Section should take you no more than 35 minutes]

Read the following:

John and George Hill are brothers who were both qualified motor mechanics. In 1985, after John had taken a part-time course in starting your own business, they decided to branch out on their own. They left their jobs and opened a garage, known as Hill Brothers. They were lucky and found suitable workshop premises to rent close to their homes. To begin with, they concentrated on service and repair work. At first, they were *content to make sure that they secured enough customers to enable them to stay in business and to make sufficient money so that they could match their earnings in their previous jobs*. Their standards of workmanship were high and their prices were lower than those charged by most of the other local garages.



As a result, their business *prospered* and made much higher levels of profit than they had expected. They were able to buy their premises in 1990 and they became a *private limited company*. The following year they embarked on a programme of expansion. They built a showroom on spare ground next to their workshop and obtained a dealership for a brand of Japanese car that was just beginning to be sold in the UK. As well as new cars, they also began to deal in second-hand cars. By this time, Hill Brothers had 8 employees. John, in particular, was pleased that the company was able to provide employment for local people. George was very keen on trying *to increase the amount of money that the company earned*. Over the next few years, the company continued to expand. Sales of new cars grew and their second-hand business also flourished. A body repair workshop was built and they bought a dealership for cars made by a French company. John, too, was pleased by the *growth*—he was able, in his words, “*to give something back*”. Hill Brothers sponsor the local amateur sports teams and have donated money to help build a sports and leisure complex in the town.

Questions

1. From the information given, identify and describe examples of the following four objectives of business organisations:

[the sections in *italics* have been identified to help you with your answers]

(a) survival

2

(b) profit

2

(c) growth

2

(d) social responsibility

2

2. In 1990, Hill Brothers became a *private limited company*. What does this term mean?

2

3. Businesses are affected by change in different ways. Complete the table below to show how Hill Brothers could be affected by the changes given. An example is given to help you.

Change	Effect of Change
Rise in price of petrol	Less cars sold
Introduction of new model of car by the Japanese manufacturer	
New large housing scheme in the town	
National success of the sports team sponsored by Hill Brothers	
Change in exchange rate leads to an increase in the price of Japanese cars	
Improved and cheaper public transport	

5

4. Give **one** example of an **external stakeholder** and **one** example of an **internal stakeholder** of the Hill Brothers organisation.

External _____

Internal _____

2

5. Jane Bell, the Administration Assistant in Hill Brothers, has recently finished a course at the local college on Information Technology for Small Business. She has a PC in her office. Give examples of **two** pieces of business software which will improve the efficiency of the organisation and describe **how each might be used by Hill Brothers**.

(1) _____

(2) _____

4

6. Describe how access to Information Technology and business software might help Hill Brothers to improve their marketing.

4

(25 marks)

[END OF SECTION TWO]

[END OF QUESTION PAPER]

[C010/SQP047]

Intermediate 1
Business Management
Specimen Marking Instructions

NATIONAL
QUALIFICATIONS

Intermediate 1 Business Management

SECTION ONE

SUGGESTED SOLUTIONS

- 1 (a) Market for BD s products
- market for printed circuit boards is specialised — small quantities, costly to supply. (2)
- (b) Importance of marketing to BD
- such a specialised market requires that sales representatives make personal visits to potential customers to develop a relationship with customers — make the customers aware that they are knowledgeable about the product; also need to advertise in specialist trade magazines. (2)
- (c) Ways for marketing mix to improve BD Circuits business
- product
- BD need to ensure that the product is kept up-to-date and ahead technologically of their competitors products — time and money spent on research and development.
- price
- price must remain competitive — price can be higher than competitors price only if quality of product is such that customers will be prepared to pay more.
- place
- the way the product is distributed is imperative — one of the problems Omega faced when supplying such specialist customers was that they were often late — BD must ensure that deliveries are made on time.
- promotion
- BD must continue to advertise in specialist magazines as well as continue their personal approach to their customers — make them feel valued, and keep them aware of BD s products. (4)
- (d) Market Research
- BD could investigate customers requirements, eg using surveys — it is stated that sales representatives visit customers personally, so this would be an ideal way to survey requirements of customers. (2)

2 Elements of human resources management:

Recruitment

- internal — check personnel records for suitable person to match to certain jobs
- external — advertise in appropriate trade journals/locally (job description/person specification).

Selection

- interview (aptitude test, personality questionnaire).

Training and development

- continuous improvement — training opportunities for employees (eg courses for improvement of skills — at local college — college links)

Personnel information and records

- need to keep information regarding employees (personal details, training done, training needs) — possibly on database
- health and safety
- welfare of employees.

Personnel procedures, eg grievance and discipline

- evaluation of employee s work
- trade union representation.

(4)

3 (one point for each definition and 2 points for examples)

Job production, eg specialist one-off circuit boards (BD)

- one-off jobs/contracts for specific job — unique
- eg specialist (purpose-built) mountain bike.

Batch production, eg small quantities of special boards for specialist markets (BD)

- large/small stack of products — bakery is good example
- scones (produced in various sized quantities).

Flow production, eg normal (non-specialist) circuit boards (Omega)

- assembly-line production — very many homogenous items, eg car factory.

(6)

4 Sources of finance

- bank loan/overdraft
- local enterprise company (lec) grant
- grants from special organisations set up to help small firms
- retained profits
- hire purchase/leasing
- friends or relatives
- local government grants
- more money put in from each Director

(3)

5 Using financial information
profit and loss account

- shows history of a trading period — shows surplus if income more than expenses or shows deficit if expenses more than income.

balance sheet

- is a snapshot of the company's financial position at a particular time — can be used to assess liquidity/solvency.

cash flow statement

- predicts requirements for cash so that business can ensure that it has enough money to be able to pay bills.

(2)

Credit should be given where alternative valid points are put forward.

(25 marks)

SECTION TWO

SUGGESTED SOLUTIONS

- 1
 - (a) survival
 - means making sufficient return to ensure that the business continues in existence, eg Hill Brothers when they first began.
 - (b) making a satisfactory level of profit
 - means earning a level of profit which is considered satisfactory income for investment, income for the owners, eg Hill Brothers as they began to prosper.
 - profit maximisation
 - means making the largest possible level of profit, eg George Hill's reasons for expanding the business.
 - (c) growth
 - means aiming to achieve a high level of growth for the organisation so as to increase its market share or sales, eg Hill Brothers' expansion.
 - (d) social responsibility
 - means that the company has wider social aims which it may pursue at the expense of profit, eg donating money for sport and leisure.
- 2 *private limited company*
 - 2 or more people may form a private (or public) limited company
 - shares cannot be offered to general public
 - shares not quoted on the Stock Exchange
 - enjoys some advantages over public limited companies

(8)

(2)

Change	Effect of Change
Rise in price of petrol	Less cars sold
Introduction of new model of car by the Japanese manufacturer	More advertising required
New large housing scheme in the town	Increase in demand — sell more cars — more repairs
National success of the sports team sponsored by Hill Brothers	Increases publicity — generating more business
Change in exchange rate leads to an increase in the price of Japanese cars	Fall in demand — sell fewer cars, may have to pay off one of the sales persons
Improved and cheaper public transport	Reduction in demand for cars — may have to pay off a sales person

(5)

4 external stakeholder

- customers
- the amateur sports teams who have been sponsored.

internal stakeholder

- George and John Hill (partners)
- employees.

(2)

- 5 database software Jane can set up a database of Hill Brothers' customers which can be used to sort them into geographical areas, or all those who own a particular type of car can be found quickly — if, for example, there had to be a recall to check something on the vehicle.
- spreadsheet software Spreadsheets could be used for compiling accounting information which requires some calculations, eg for monthly cash flow statements and for the production of bills and statements for customers.

(4)

6 Marketing of the organisation

Use of database of customers to mail customers about new models being introduced or to remind customers when their car is due for a service.

By use of word processing or a desktop publishing package, professional looking flyers and posters could be produced; customised Hill Brothers' letterheadings could be produced, as well as pro formas for customer statements. Price lists and advertisements for the local newspaper could be presented much more attractively.

(4)

Credit should be given where alternative valid points are put forward.

(25 marks)

[END OF MARKING INSTRUCTIONS]