

X234/201

NATIONAL
QUALIFICATIONS 2010

FRIDAY, 14 MAY
9.00 AM – 10.45 AM

BUSINESS
MANAGEMENT
INTERMEDIATE 2

Candidates should attempt **all** questions in Section One and **two** questions from Section Two.

Read all the questions carefully.

75 marks are allocated to this paper.

25 marks for Section **One** and 50 marks for Section **Two**.

Answers are to be written in the answer book provided.

Section **One** is on pages two, three and four.

Section **Two** is on pages five, six and seven.



SECTION ONE

This section should take you approximately 45 minutes.

Read the following information, then answer the questions which follow on *Page four*.

Bairds Malt

Background

Bairds Malt was formed in 1999 when 2 well-established businesses merged together—Hugh Baird and Sons and Moray Firth Maltings. Bairds Malt buys barley from farmers and then processes the barley into malt (this is called malting). Bairds then sells the malt to distillers who turn it into whisky. The company currently has 5 malting sites—3 in Scotland and 2 in England.



It was a long-held view that barley grown in the Highlands of Scotland was not suitable for malting, and therefore not suitable for the whisky industry. This is due to the amount of rain that falls in the Highlands during the harvesting months. Scottish distilleries, therefore, were having to import their barley and malt from England with heavy transport costs.

Research, however, proved that suitable barley could be grown in Scotland and in 1969 the first malting factory in the Highlands was opened in Inverness. This is now the home of Bairds Malt.

Present Situation

The Inverness factory of Bairds Malt is currently working at full capacity, supplying malt to Scottish distillers as well as exporting all over the world. This makes Bairds the largest malt producer in Scotland. Workers at the Inverness factory are now working 7 days a week and old machinery has been brought back into use to keep up with production.

Part of Bairds' success is due to the close working relationship it has with the local farmers who grow the barley. A "grain network" has been established and maintained with the farmers in order to ensure a reliable and regular source of high quality malting barley.



The company was also one of the first to introduce “grower purchase contracts”. This contracts the farmers to supply their grain to Bairds as long as it meets the standards required, thus securing Bairds a regular supply of barley.

With such a small period of time to harvest barley in the Highlands, mid-August to September, it is important for Bairds to be able to take the grain straight from the farm to the malting factory for drying. Otherwise the barley is no longer of use for malting. At their Longman Road factory, Bairds can handle 2,000 tonnes of wet barley a day and over 7,000 tonnes through its 5 sites across the UK.

Bairds, however, is facing stiff competition to keep their farmers growing barley. With increases in other grain prices across the world, growers may be tempted to move to sowing alternative crops. Therefore, they are making great efforts to ensure growers understand that barley is a profitable and viable option which will sustain them well into the future.

Another threat to Bairds is rising oil and gas prices. Due to the size and nature of Bairds’ business, these have a major effect on their costs.

However, whilst there is a slowdown in demand and production in other sectors of industry, Scotland’s whisky industry is still booming. There are possible opportunities opening in the Far East and South Africa.

This must be good news for Bairds and their stakeholders.

Options for the Future . . .

- 1 Upgrade the existing buildings and equipment at the Inverness site.
- 2 Extend the buildings at their other Scottish sites to increase production.
- 3 Close down the existing Inverness factory and re-build on a new site.

After consideration, Bairds decided to implement Options 1 and 2.

Sources: Executive Magazine No 269 August 2008
www.scotgrain.co.uk

[Turn over

SECTION ONE

QUESTIONS

Answer ALL the questions.

1. Bairds had a third option to build a completely new factory in Inverness instead of the 2 options they took.
Describe **2** possible costs and **2** possible benefits of option 3. 4

 2. Bairds has identified rising fuel costs as a problem to their organisation.
 - (a) (i) Explain **one** other problem threatening Bairds. 1
 - (ii) Explain **one** strength of Bairds. 1
 - (b) Describe **3** ways an organisation can reduce cash outflows. 3

 3. Bairds is a capital-intensive organisation.
Distinguish between capital-intensive and labour-intensive methods of production. 2

 4. Bairds is a manufacturing organisation which is in the secondary sector of industry.
Identify and describe **2** other sectors of industry. 4

 5. Bairds are considering setting up a website.
Explain **3** benefits to an organisation of setting up a website. 3

 6. At Bairds' Inverness factory, employees are currently working 7 days a week.
Identify **4** ways that an organisation can improve employee motivation and job satisfaction. 4

 7. The whisky industry is still booming.
Describe **3** other factors an organisation may consider when setting the price of a product. 3
- (25)**

[END OF SECTION ONE]

SECTION TWO

This section should take you approximately 1 hour.

Answer TWO questions.

1. (a) (i) Compare the features of a partnership and a public limited company in terms of ownership, control and finance. **3**
- (ii) Describe **2** advantages of a partnership and **2** advantages of a public limited company. **4**
- (b) Describe the following terms and give an example of each:
- product-led organisation
 - market-led organisation. **4**
- (c) Describe **3** methods of field research. **3**
- (d) Identify **4** types of ICT (hardware or software) and describe how each is used by an organisation. (A different use must be described for each type of ICT identified.) **8**
- (e) Workers can feel threatened by the introduction of ICT.
Describe actions that workers can take when their job security is threatened. **3**
(25)
2. (a) Describe **3** advantages of becoming a multinational company. **3**
- (b) Explain how each of the following factors affect the structure of an organisation:
- the size of the organisation
 - the technology used by the organisation
 - the product or service offered by the organisation
 - the market. **4**
- (c) (i) Distinguish between primary and secondary sources of information. **3**
- (ii) Give an example of each. **2**
- (d) Identify and describe **3** external factors that may affect an organisation. **6**
- (e) (i) Describe **4** problems to an organisation of holding too much stock. **4**
- (ii) Describe the features of a suitable stock storage area for an organisation. **3**
(25)

[Turn over

	<i>Marks</i>
3. (a) Distinguish between skilled and unskilled workers. Give one example of each.	4
(b) Identify and describe 3 Acts concerning employee working conditions that businesses must comply with.	6
(c) (i) A successful operating system consists of 3 stages: inputs, processes and outputs . Describe the meaning of each of these 3 stages.	3
(ii) Describe the following methods of paying employees in an organisation. <ul style="list-style-type: none"> • Time rate • Piece rate • Overtime • Commission 	4
(d) Explain 2 advantages and 2 disadvantages of franchising.	4
(e) Identify 2 users of financial information and describe how each would use that information.	4
	(25)
4. (a) (i) Outline 5 stages of a decision making model.	5
(ii) Distinguish between strategic and tactical decisions and give an example of each.	4
(b) Describe pricing methods that an organisation could use.	4
(c) (i) Define the following terms: <ul style="list-style-type: none"> • delayering • downsizing. 	2
(ii) Explain 2 advantages and 2 disadvantages to an organisation of delayering.	4
(d) Ratios have many uses and also many limitations. <ul style="list-style-type: none"> (i) Describe 3 accounting ratios. (ii) Describe 3 limitations of ratio analysis. 	3
	3
	(25)

		<i>Marks</i>
5.	(a)	(i) Distinguish between a line relationship and a lateral relationship and give an example of each. 3
	(ii)	Define the following terms: <ul style="list-style-type: none"> • span of control • chain of command • informal structures. 3
	(b)	(i) For each element of the marketing mix, describe 2 activities an organisation could undertake to increase sales. 8
		(ii) Explain the advantages of branding. 3
	(c)	(i) Define the term appraisal. 1
		(ii) Suggest 3 reasons why employers carry out appraisal. 3
	(d)	(i) Describe 2 methods of selecting the right person for a job. 2
		(ii) Describe one benefit of each method. 2
		(25)

[END OF SECTION TWO]

[END OF QUESTION PAPER]

ACKNOWLEDGEMENTS

Section One—Logo and information are adapted from *Executive Magazine, No 269, August 2008*. Reproduced by kind permission of Executive.

Section One—Logo and information are adapted from **www.scotgrain.co.uk**. Permission is being sought from Baird's Malt Ltd.