

# X234/12/01

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NATIONAL  
QUALIFICATIONS  
2012

WEDNESDAY, 30 MAY  
1.00 PM – 3.30 PM

BUSINESS  
MANAGEMENT  
HIGHER

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

Read all the questions carefully.

100 marks are allocated to this paper.

50 marks for Section **One** and

50 marks for Section **Two**.

Answers are to be written in the answer book provided.



## SECTION ONE

This section should take you approximately 1 hour 15 minutes.

Read through the following information, then answer the questions which follow.

### **Peter Scott & Co. Find a Buyer**

Peter Scott & Co., the Hawick based textile manufacturer, was sold as a going concern to UK clothing company Gloverall in May 2010. Almost 120 of the Peter Scott & Co. staff were made redundant when it fell victim to the economic downturn. The remaining 20 staff were transferred to the Northampton based Gloverall, who made their name manufacturing duffle coats.

Samuel Lee, Gloverall director, said, "Gloverall is delighted to acquire a business with such a rich heritage and brand presence. We are currently reviewing our intentions to recommence full production of Peter Scott & Co. products in Hawick."

### **Peter Scott & Co.**

Peter Scott founded the company in 1878 but success came slowly. However, Peter Scott's energy and perseverance, plus his practical knowledge and business ability, meant the business expanded. Peter Scott & Co. was still manufacturing in Hawick over 100 years later. During that time it went on to become one of Scotland's best known exporters.



Right from the beginning Peter Scott always strove to buy the best in wool, silk, cashmere and cotton. This drove the cost of production up, meaning a high price needed to be charged in order to make a profit. This policy of purchasing expensive high quality materials continued until the company went into administration in 2010.

Unusually, for a modern manufacturing organisation of its size, it was still a private limited company. This prevented the company from raising much needed finance through the sale of shares on the stock market. Any investment had to come from the private sale of shares, limiting the number of potential investors.

The company, even from its humble beginnings, had always maintained close links with sporting and cultural activities in the UK. Peter Scott & Co. supplied a great deal of their clothing to the golfing world and in May 2010, Colin Montgomerie, the Ryder Cup Golf Captain, teamed up with the company to promote an exclusive range of golfing knitwear. This type of expensive promotion was required to keep the exclusive brand image. However, this was to be the last of the expensive promotional activities and extravagant spending carried out by the company.

### **Present Situation**

Despite having an excellent reputation and strong brand, Peter Scott & Co. suffered heavily from increased overseas competition. Lower wages paid by overseas firms, meant they could charge lower prices for similar products. The worldwide economic slowdown in 2010, plus the reduction in spending on luxury items in the UK,



contributed to Peter Scott & Co. being placed under administration.

This resulted in 120 redundancies taking place and the company directors working closely with local and national government agencies to save the remaining jobs. The Scottish Government attempted to help the company directors by setting up discussions with several parties who had an interest in purchasing the company. However, these discussions were not successful and failed to save the vast majority of jobs.

In an attempt to save the company, local Conservative MSP, Mr John Lamont, contacted the Scottish Government Finance Secretary. However, the UK National Budget, announced by the Government in July 2010, saw savage cuts in all areas of Government spending. This meant that there were no Government funds available to save struggling companies.

### **Gloverall's Plans for Peter Scott & Co.**

Gloverall revealed in August 2010 that it wanted to employ 60 people within two months. The firm's Finance Director Walter Goulding said, "We are continuing to employ the initial 20 people from Peter Scott & Co., but are now looking to build back up the local workforce." He added, "The administrators had more or less decimated



the workforce. There were no knitters or production staff left which left us in a poor situation to begin with. But the Peter Scott brand is an excellent product and we want to get production up and running again in Hawick as soon as possible".

Before Gloverall resumed manufacturing in Hawick they had to look closely at the production facility. The building was old and unsuitable for modern manufacturing practices. Also, the existing machinery at the Hawick factory needed upgrading to incorporate the latest technology.

Mr Goulding said, "Our firm is very big in the Far East and we want to further develop these markets. The plan is to invest in the production facility at Hawick and as the business grows, hopefully we will be in a position to expand. The 'Made in Scotland' label is very important to our future success". It is hoped for the Borders textile industry and Hawick in particular, that the success of Gloverall continues.

**Sources: The Scotsman, May 2010**

**Drapersonline.com**

**Gloverall.com**

**[Turn over**

## QUESTIONS

Marks

**You should note that although the following questions are based on the stimulus material, it does not contain all the information needed to provide suitable answers to all the questions. You will need to make use of knowledge you have acquired whilst studying the course.**

**Answer ALL the questions.**

1. Identify the problems faced by Peter Scott & Co. You should use the following headings. (Please identify problems only, solutions will not be credited.)
    - Marketing
    - Finance
    - Operations
    - External Factors

**10**
  
  2. Other than funds, describe the types of assistance a Local Enterprise Company could provide for an organisation. 

**4**
  
  3. Describe **2** pricing tactics that an organisation could use when selling an exclusive product. 

**4**
  
  4. Describe the **3** main types of decision that an organisation could make. 

**3**
  
  5. Distinguish between centralised and de-centralised decision making. 

**5**
  
  6. Explain the benefits to an organisation of introducing ICT. 

**5**
  
  7. (a) Describe the purposes of sales and production targets. 

**3**

(b) Describe the actions that could be taken to overcome cash flow problems. 

**5**
  
  8. Explain the problems that can arise from “under” and “over” stocking. 

**5**
  
  9. Discuss the effects of introducing flexible working practices. 

**6**
- (50)**

[END OF SECTION ONE]

## SECTION TWO

Marks

**This section should take you approximately 1 hour 15 minutes.**

**Answer TWO questions**

- |    |     |   |             |
|----|-----|---|-------------|
| 1. | (a) | Describe the advantages and disadvantages of product endorsement.   | 6           |
|    | (b) | Discuss the use of customer grouping for an organisation.   | 4           |
|    | (c) | Describe and justify <b>3</b> sources of finance that could be used by a partnership. (A different justification must be used each time.) | 6           |
|    | (d) | Describe the advantages of e-commerce to an organisation.   | 5           |
|    | (e) | Describe the features of high quality information.  | 4           |
|    |     |   | <b>(25)</b> |
| 2. | (a) | Describe different types of organisational relationships that can exist within a business.  | 4           |
|    | (b) | (i) Describe quality management systems that can be used within an organisation.  | 7           |
|    |     | (ii) Describe <b>3</b> different types of production that could be used by an organisation.   | 3           |
|    | (c) | Describe <b>3</b> accounting ratios and justify their use. (A different justification must be used each time.)                            | 6           |
|    | (d) | Explain how different methods of growth can lead to increased sales or profits.   | 5           |
|    |     |   | <b>(25)</b> |
| 3. | (a) | Describe the benefits of different types of information.  | 4           |
|    | (b) | Describe <b>5</b> stages of the recruitment process used by most organisations.   | 5           |
|    | (c) | Describe <b>3</b> different employment contracts and justify their use. (A different justification must be used each time.)               | 6           |
|    | (d) | Discuss the effects of outsourcing on an organisation.  | 5           |
|    | (e) | Explain the advantages and disadvantages of using a wholesaler.   | 5           |
|    |     |   | <b>(25)</b> |

**[Turn over**

**SECTION TWO (continued)***Marks*

4. (a) Describe different forms of industrial action that an employee could take. 5
- (b) Describe the main features of the Equality Act 2010. 3
- (c) Describe the features of an effective stock control system. 5
- (d) (i) Compare the use of “time rate” with “piece rate” for paying employees. 3
- (ii) Describe other employee payment systems that could be used by an organisation. 4
- (e) Explain the advantages and disadvantages of using a structured decision making model. 5
- (25)**
5. (a) Describe the main characteristics of a multi-national corporation. 4
- (b) Describe the possible objectives of a private limited company. 4
- (c) (i) Describe the final accounts that would be produced by an organisation. 3
- (ii) Describe reasons why a competitor would make use of another organisation’s final accounts. 2
- (d) (i) Describe the 4 main stages of the product life cycle. 4
- (ii) Describe the effect of each stage on profits. 4
- (e) Distinguish between:
- quota sampling and random sampling 2
  - product led and market led organisations. 2
- (25)**

[END OF SECTION TWO]

[END OF QUESTION PAPER]

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## ACKNOWLEDGEMENTS

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