

X234/11/01

NATIONAL THURSDAY, 23 MAY
QUALIFICATIONS 1.00 PM – 2.45 PM
2013

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*.

A G Barr plc Bucking the Trend of Recession

IRN-BRU producers, A G Barr, anticipated good trading figures for the half year to July 2011. Sales revenue was expected to increase by approximately 3.5% to £123m for the 6-month period. This was despite the recession putting pressure on householder's income, strong promotions from competitors, rising input costs and poor weather that year.



Background

A G Barr was established in 1875 by Robin Barr in Falkirk, where he started producing soft drinks. In 1901, Iron Brew was born and A G Barr found themselves a place in the history books as the No 1 soft drinks manufacturer in Scotland. It was not until after the Second World War that it was relaunched as IRN-BRU – the name we all know and love today.

By 1965 the business had become a PLC and in later years all Scottish production was moved to a new Cumbernauld factory.

Production

Over the years Barrs has seen many changes. It now has an extensive range of soft drinks including IRN-BRU, Rubicon Exotic Juices, KA, Tizer, Barr's Original and Strathmore Spring Water. The company employs approximately 900 people over 11 sites in the UK.

Recently, the company has restructured some of its operations with the closure and subsequent sale of its Mansfield factory. This has been tied into a £10m upgrade of their Cumbernauld plant which should increase production at Cumbernauld by approximately one-third. Delays in the supply of equipment meant that the project took much longer than anticipated. This caused short-term capacity problems and additional costs for the company.

Branding

Barrs operate in a fiercely competitive market and over the years have successfully used promotion and innovative advertising to ensure the growth of their brand. One of the most famous slogans “Your other national drink – made in Scotland from Girders”, has helped Barrs maintain their status as a national brand. IRN-BRU can now be found throughout Europe as well as places like Russia and even Australia!

Facing fierce competitors’ promotions, Barrs undertook a wide variety of promotional activities. Diet IRN-BRU was renamed IRN-BRU Sugar Free in order to highlight the sugar free benefits of the drink. Barrs launched a new look Strathmore Water with new packaging and a new brand message – “Strathmore – A source of clarity”. A new 60-second TV commercial was launched for IRN-BRU to celebrate summertime. This was coupled with an online competition to be a “Star in the Ad”. With unpredictable weather and a poor British summer, perhaps it was not as successful as it could have been.



Finally Barrs launched their “Phenomenal BRU-Jet” competition. Hidden on special packs of IRN-BRU were 25 winning tickets for a week’s holiday in Tenerife. Despite the recession, Scots still love their holidays in the sun.

Options for the Future . . .

Despite seemingly bucking the trend, Barrs have had to work hard and make sound decisions to maintain their position in the market. In order to cut costs and maintain growth, Barr’s options for the future include:

- 1 open new markets or extend growth in other countries;
- 2 cut costs by building a wind turbine at their Cumbernauld factory to produce approximately 60% of their energy requirements;
- 3 restructure by concentrating production at Cumbernauld and closing down the other sites.

Sources: Herald Scotland, 5 September 2011; www.bbc.co.uk/news 28 July 2011;
www.agbarr.co.uk

[Turn over

SECTION ONE

Marks

QUESTIONS

Answer ALL the questions.

1. A G Barr plc managed to survive and grow despite facing difficult economic times.
Name and describe **3** other external factors that could affect an organisation. **6**

2. In Option 3, A G Barr plc could close down other sites in order to restructure.
 - (a) Identify this type of restructuring. **1**
 - (b) Describe benefits of this type of restructuring to an organisation. **3**
 - (c) Other than restructuring, identify **2** tactical decisions made by A G Barr plc. **2**

3. A G Barr plc uses flow production to make their IRN-BRU.
Describe advantages and disadvantages of this type of production. **4**

4. A G Barr plc spent a lot of time and money maintaining a good brand.
Explain the benefits of having a brand to an organisation. **4**

5. A G Barr plc uses a mixture of skilled and unskilled workers at its factory.
Compare skilled and unskilled workers. **2**

6. A G Barr plc expected its sales revenue to increase by 3·5%.
Describe how the following stakeholders would use Barr's financial information:
 - Shareholders/Owners
 - Creditors
 - Citizens.**3**

(25)

[END OF SECTION ONE]

SECTION TWO

Marks

This section should take you approximately 1 hour.

Answer TWO questions.

1. (a) Outline the stages of a decision making model. 5
- (b) (i) Describe the benefits of carrying out market research. 4
- (ii) Suggest **3** field research techniques. 3
- (c) Compare the objectives of a private sector organisation with those of a public sector organisation. 3
- (d) Identify and describe **2** types of training that could be given to existing staff. 6
- (e) Describe the benefits of presenting information in:
- (i) written format;
- (ii) oral format. 4
- (25)**
2. (a) Define the following terms:
- Span of control
 - Chain of command
 - Formal structure
 - Informal structure. 4
- (b) Identify and describe **4** stages in the product life cycle. 8
- (c) Explain the costs and benefits of training to an organisation. 4
- (d) Distinguish between capital-intensive and labour-intensive methods of production. 3
- (e) (i) Identify different types of ICT that could be used in the finance department of an organisation. 3
- (ii) Describe a possible use, in the finance department, for each type of ICT identified in (e)(i) above. 3
- (25)**

[Turn over

3. (a) Organisations use the following stock levels:
- Maximum
 - Minimum
 - Re-order.
- (i) Describe the above stock levels. 3
- (ii) Draw and label a stock control diagram to show these levels. 5
- (b) Describe **one** advantage and **one** disadvantage of the following sources of finance to an organisation:
- Bank Loan
 - Grant
 - Issuing Shares. 6
- (c) Identify and describe **4** methods of sales promotion that an organisation may use. 8
- (d) Describe the following ratios:
- Gross Profit Percentage
 - Working Capital Ratio
 - Return on Capital Employed. 3
- (25)**
4. (a) Describe the selection process an organisation may use to select the right person for a job after sending out application forms. 5
- (b) (i) Explain **one** advantage and **one** disadvantage of secondary information. 2
- (ii) Give **two** examples of secondary information. 2
- (c) (i) Define the term mission statement. 1
- (ii) Distinguish between strategic and operational decisions and give an example of each. 4
- (d) Identify and describe **4** methods of ensuring quality in the production process. 8
- (e) Outline possible solutions to cash flow problems that may have been identified in an organisation. 3
- (25)**

5. (a) Describe and give an example of the following 3 sectors of activity:
- primary sector
 - secondary sector
 - tertiary sector.
- (b) Describe the purpose of **2** of the following accounting statements:
- Profit and Loss Account
 - Cash Budget
 - Balance Sheet
- (c) Explain the advantages and disadvantages to an organisation of using e-commerce.
- (d) Describe advantages and disadvantages to an organisation of grouping by function.
- (e) Describe factors that could be considered when setting the price of a good or service.
- (f) (i) Identify **3** pieces of legislation used to protect employees.
- (ii) Describe the legislation identified in (f)(i).
- (25)**

[END OF SECTION TWO]

[END OF QUESTION PAPER]

ACKNOWLEDGEMENTS

Section One—Article is adapted from a number of sources including *Herald Scotland*, 5 September 2011. Reproduced by kind permission of Newsquest (Herald and Times) Ltd.

Section One—Article, Barr’s Irn Bru logo and advertisement are adapted from **www.agbarr.co.uk**. Reproduced by kind permission of A G Barr plc.

Section One—Article is adapted from a number of sources including “Irn Bru maker A G Barr facing capacity glitch” taken from BBC News, 28 July 2011. Reproduced by kind permission of BBC News.