

X234/11/01

NATIONAL WEDNESDAY, 30 MAY
QUALIFICATIONS 1.00 PM – 2.45 PM
2012

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*.

The end has come for Realtime Worlds

In August 2010 Realtime Worlds game company faced up to its financial problems and called in the administrators. This dealt a savage blow to Scotland's video game industry which it may never recover from.



Background

Dundee-based Realtime Worlds was founded in 2002 by Dave Jones, the creator of Lemmings and Grand Theft Auto—globally recognised games which Dave successfully franchised to many different game producers. Realtime Worlds had its headquarters in Colorado, USA, but its main development operations were in an old mill in Dundee. They specialised in creating new software for the entertainment industry.

Realtime Worlds' first game, "Crackdown", released in 2007, was a massive success, selling over 1.5 million copies and earning the company a video game award. The company grew into a highly respected and leading player in the industry and employed over 200 staff.

In 2008 the company secured a major cash boost of \$50 million from 3 American investors.

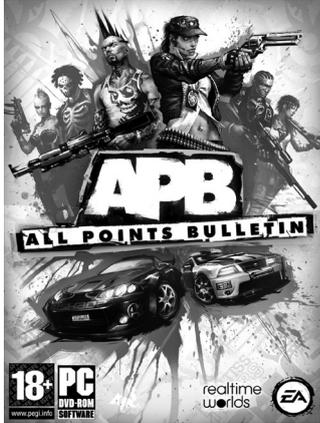
Government Assistance

Dundee had become known as a centre of innovation and excellence in the video game industry in Scotland. In 2009 there were 15 video game companies in the city alone. Abertay University in Dundee became the first university in the world to offer a course in software engineering for video games.

Also in 2009 the UK video game industry petitioned the government to offer a 20% tax reduction to game producers. This would have kept the UK in line with the rest of Europe. Despite British companies doing well they were losing orders to other countries where government subsidies reduced production costs. By 2010 there was a change in the UK government and the chance of a tax reduction to the industry was cancelled.

Lead up to Administration

Despite the company's previous success with Crackdown, Realtime Worlds did not invest in a sequel to this game. However, this was developed by their competitors, Ruffian Games, a company founded by ex-Realtime Worlds' staff.



Dave Jones felt the future of video games lay in multi-player, online games. Realtime Worlds made the decision to develop 2 new games, APB (All Points Bulletin) and Project: My World. In December 2009 Realtime Worlds received the Hottest Prospect Award at the Tech Media Invest awards.

July 2010 saw the long awaited launch of APB—having taken 5 years to develop. Despite high hopes for this game rivalling the top online games in the industry, it received only a lukewarm reception and poor sales in the USA. Gamers were said to be unhappy with having to pay a subscription to keep playing rather than buying the game outright.

Within days of APB's launch, Realtime Worlds made an announcement that redundancies were being made in both Dundee and Colorado. By early August 60 staff were made redundant—including the whole team working on Project: My World. By mid-August the company were in administration with 185 staff laid off. The company owed approximately £3 million in the UK alone.

Options for the Future . . .

The possible demise of Realtime Worlds has renewed calls to reinstate the tax reduction proposal in order to sustain thousands of jobs in Scotland.

Options open to Realtime Worlds include:

- 1 keep the company open and try to sell it as a going concern;
- 2 sell the rights to APB to interested buyers;
- 3 close the business now.

Adapted from: The Courier, 14 and 18 August 2010; BBC News, December 2009

[Turn over

SECTION ONE

Marks

QUESTIONS

Answer ALL the questions.

1. Option 3 is to close the business now.
Identify **3** different stakeholders and describe the effect Option 3 would have on each of them. **6**

 2. The administrators will have analysed the accounts of Realtime Worlds.
Describe **3** ratios that the administrators could use to analyse an organisation's accounts. **3**

 3. Dave Jones franchised his games to many different game producers.
Explain the advantages and disadvantages of franchising. **5**

 4. Realtime Worlds stores information electronically.
 - (a) Identify **2** pieces of legislation that cover information stored electronically. **2**
 - (b) Describe features of each piece of legislation identified in 4(a). **4**

 5. When setting a price for a new game, Realtime Worlds could use a variety of methods.
Compare **2** pricing methods an organisation could use. **2**

 6. Describe the roles of Trade Unions in a workplace. **3**
- (25)**

[END OF SECTION ONE]

SECTION TWO

Marks

This section should take you approximately 1 hour.

Answer TWO questions.

- | | | | | |
|----|-----|------|--|-------------|
| 1. | (a) | (i) | Describe the term flexi-time. | 2 |
| | | (ii) | Explain the advantages and disadvantages of flexi-time. | 4 |
| | (b) | | Describe methods that can be used to sell goods directly to customers. | 4 |
| | (c) | | Identify 3 causes of cash flow problems. | 3 |
| | (d) | (i) | Distinguish between a takeover and a merger. | 2 |
| | | (ii) | Identify and describe 3 other methods of integration. | 6 |
| | (e) | (i) | Describe one line relationship and one lateral relationship that may exist in the workplace. | 2 |
| | | (ii) | Outline the advantages of outsourcing for an organisation. | 2 |
| | | | | (25) |
| 2. | (a) | | Describe the costs and benefits to an organisation of using ICT. | 4 |
| | (b) | (i) | Identify 3 different types of industrial action that an employee could take. | 3 |
| | | (ii) | Explain the impact of industrial action on an organisation and its employees. | 3 |
| | (c) | (i) | Define the term just-in-time production. | 1 |
| | | (ii) | Describe the advantages and disadvantages to an organisation of using just-in-time. | 4 |
| | (d) | | Identify and describe 2 methods of field research. | 4 |
| | (e) | | Describe ways each of the following departments may assist the Operations department. | |
| | | | <ul style="list-style-type: none">• Marketing• Human Resources• Finance | 6 |
| | | | | (25) |

[Turn over

	<i>Marks</i>
3. (a) Identify and describe 3 different stock levels that could be set.	6
(b) (i) Define the term market share.	1
(ii) Suggest 3 ways an organisation could segment its market.	3
(c) Compare the features of a sole trader with a public sector organisation.	3
(d) (i) Explain the advantages and disadvantages, for an organisation, of recruiting internally.	3
(ii) Describe 2 benefits of formal appraisal.	2
(e) (i) Define the following accounting terms:	
• Net Profit	
• Liquidity	
• Dividend	3
(ii) Describe the limitations of using ratios to analyse accounts.	4
	(25)
4. (a) Many employees are paid by time rate. Identify and describe 3 other employee payment systems.	6
(b) (i) Distinguish between operational and tactical decisions.	2
(ii) Give an example of each.	2
(c) (i) A common channel of distribution is by using a retailer. Outline the role of the retailer.	3
(ii) Describe 4 ways of extending the life of a product.	4
(d) (i) Define quantitative and qualitative information.	2
(ii) Give an example of each.	2
(e) Explain the benefits of growth to an organisation.	4
	(25)

	<i>Marks</i>
5. (a) (i) Identify 4 different types of ICT that could be used by a Human Resources department.	4
(ii) Describe ways that the Human Resources department could use each type of ICT identified in 5(a)(i). (A different use must be given for each type.)	4
(b) Parts of the role of management are to delegate and to motivate their workers.	
(i) Define the terms delegation and motivation.	2
(ii) Describe 2 decision making techniques.	2
(c) (i) Describe internal factors that affect an organisation.	3
(ii) Explain the advantages to an organisation of delayering.	4
(d) Identify and describe 3 documents that could be used by the Human Resources department in the recruitment and selection of an employee.	6
	(25)

[END OF SECTION TWO]

[END OF QUESTION PAPER]

ACKNOWLEDGEMENT

Section One—Article adapted from *The Courier*, 14 and 18 August 2010. Reproduced by kind permission of The Courier, Dundee