Centre Number						Candidate Number				
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
TOTAL	

General Certificate of Education
Advanced Subsidiary Examination
June 2010

Business Studies BUSS2

Unit 2 Managing a Business

Tuesday 25 May 2010 9.00 am to 10.30 am

For this paper you must have:
- a calculator.

Time allowed
- 1 hour 30 minutes

Instructions
- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information
- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80.
- Questions 1(c), 1(d), 2(c)(ii), and 2(d) should be answered in continuous prose. In these questions you will be marked on your ability to:
  – use good English
  – organise information clearly
  – use specialist vocabulary where appropriate.

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1 Read the **case study** below and then answer the questions that follow.

The Eden Project

The *Eden Project* (*Eden*) is the world's largest greenhouse. It is one of the most popular attractions in Cornwall which is itself an important tourist destination. It opened in 2001 and visitor numbers have increased rapidly. One of *Eden*'s most important goals is to be an environmentally friendly business. It is a charity and seeks to educate people about protecting the environment.

The *Eden Project* includes two groups of domes, known as biomes:

- the humid tropics biome housing a range of tropical plants
- the warm temperate biome containing plants from the Mediterranean region.

The biomes assist the study of plants and facilitate research aimed at conservation. Their scale and the diversity of plants provide a unique visitor experience.

Eden has a visitor centre, café and gift shop and has recently developed an education facility for the many school and college parties who visit. It publishes books using *Eden'*s brand. *Eden* has hosted an ice rink and staged concerts by artists such as Snow Patrol.

Figure 1: Eden Project – Key Data

	2005/6	2006/7
Visitor numbers (million)	1.18	1.16
Average revenue per visitor (£)	15.75	16.09
Total costs (£ million)	18.06	17.66
Net cash flow (£ million)	(1.26)	(0.58)
Outstanding loans (£ million)	15.0	6.6
Waste recycled (tonnes)	167.1	160.3
Percentage of visitors 'satisfied' or 'very satisfied'	87	88



Eden has invested heavily in its facilities. In response to rising energy costs, it has recently installed a new boiler system to reduce its dependence on gas, although this has resulted in some technical difficulties. It aims to recycle as much of its waste as possible and has also invested in technology to reduce the amount of waste sent off-site.

Eden started with five employees and now employs 400 permanent staff. There are also 200 seasonal employees and 150 volunteers. *Eden* organises its workforce into a series of teams addressing specific issues. *Eden* employs people with a diverse range of skills from horticulture, education and catering, to management and retail. It has promoted 50% of its management from within and is committed to enhancing the skills of its staff through training.

Source: Eden Project

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Answer **all** questions in the spaces provided.

1 (a) Using the information in **Figure 1**, calculate the change in the *Eden Project*'s unit costs per visitor between 2005/6 and 2006/7.

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1 (b) Analyse **two** reasons why the *Eden Project*'s cash flow may have been negative during the financial years 2005/6 and 2006/7.

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1 (c) Discuss the actions that the *Eden Project*'s managers might have taken to maximise the performance of the *Eden Project*'s workforce as it grew from 5 to 750 employees.

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1 (d) Has the *Eden Project* improved its competitiveness as a business over time? Justify your view.

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Turn over for the next question

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2 Read the **case study** below and then answer the questions that follow.

A Matter of Time

George Liddell is a watchmaker. His watches are designed and assembled using high quality Swiss-made mechanisms. He is proud of his watches and argues that they are as good as many which sell for much higher prices. His company, *GL Ltd*, has a range of 250 watches which sell for a maximum price of £450. George's high quality watches are sold at low prices when compared with his rivals' prices. Competitors, such as Tag Heuer and Omega, with well-known brand names and celebrity endorsements charge more than £2000 for some of their watches. George thinks that demand for his watches might be price inelastic.

GL Ltd is organised into a number of departments of which the three largest are Operations, Marketing, and Administration and Finance. George relies heavily on financial methods to motivate his workforce. Assembly workers receive bonuses for meeting production targets and all employees receive fringe benefits such as health insurance. Departmental managers receive a share of profits.

George's marketing budget is small and relies heavily on internet marketing, targeting 30–50 year olds who wish to own a prestigious but affordable watch. He does not use retailers who demand evidence of expensive advertising campaigns and who set prices at twice the cost of the watch. In 2009, he sent 25 000 catalogues to customers which generated a surprisingly high level of sales for such a small mailshot. George also depends heavily on recommendations from existing customers to create sales.

Figure 2: Budgeted and Actual Revenues and Costs for GL Ltd, 2009

	Budget £	**Actual £**
Sales revenue	**4 550 235**	**3 956 750**
Costs		
Wages and salaries	974 345	1 061 340
Rent and rates	903 000	902 756
Materials	1 960 860	1 875 125
Other costs	411 795	410 800
Total costs	**4 250 000**	**4 250 021**
Profit	**300 235**	**(293 271)**

Quality is a key issue for George's business. In recent years, there has been an increase in complaints about faulty products; the percentage of faulty products rose from 1.5% to 4.5% of sales between 2003 and 2009. George has decided to implement a system of quality assurance throughout the business, although he has reservations about it as it will entail changing the design of some jobs and significant amounts of training. "I think it will have significant disadvantages in the short term and that the benefits will be realised only in the long term," he comments.

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2 (a) Analyse **two** possible factors that might influence George Liddell's choice of promotional mix.

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2 (b) Examine **two** possible drawbacks to *GL Ltd* of using financial methods to motivate its employees.

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2 (c) (i) Identify **two** examples of adverse variances from the data in **Figure 2**.

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2 (c) (ii) The best way for George Liddell to improve the profitability of his business would be to sell his watches through retailers. To what extent do you agree with this statement?

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2 (d) Is George right to say that the benefits of his quality assurance system will be realised only in the long term? Justify your view.

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