

2: People in business

Paper 2 – Topic questions

The questions in this document have been compiled from a number of past papers, as indicated in the table below.

Use these questions to formatively assess your learners' understanding of this topic.

Question	Year	Series	Paper number
3a	2017	March	22
2a	2017	June	21
3a	2017	June	21
2b	2018	March	22

Bags and Belts (BB)

BB is a small private limited company. It manufactures leather handbags and belts. It only uses the best quality leather. BB sells the bags and belts using its own brand name to large retailers. BB currently does not use the Internet in its business operations.

The leather used by BB has always been purchased from the same local business since BB was set up. This supplier guarantees high quality leather and has always delivered on time.

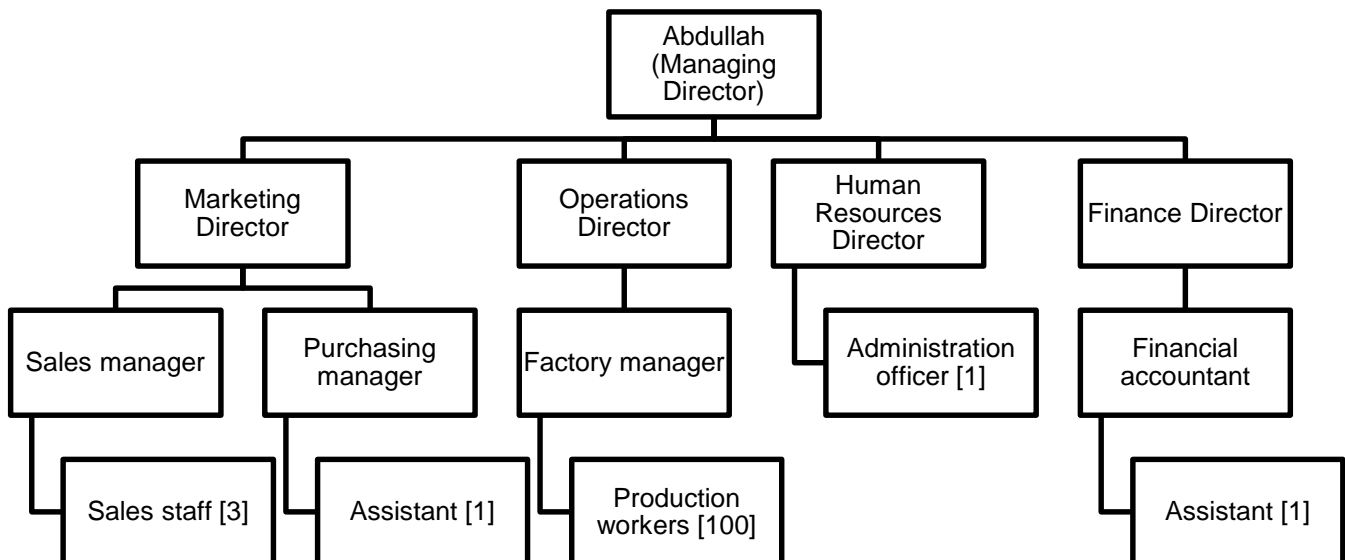
BB was started 35 years ago and is now managed by Abdullah, the grandson of the original owner. The other directors are all members of the family. BB employs workers from the local community to manufacture the handbags and belts.

BB uses batch production. The workers who make the handbags and belts are skilled, but wage costs are kept low by employing young workers to pack the products. The production process has waste materials and these are put into the nearby river. However, local people complain that it affects their drinking water.

The directors want to increase profit. They are thinking of either increasing prices or making some of the handbags out of a material that looks like leather but is much cheaper to buy. The Marketing Director thinks the demand for their handbags is price inelastic as many consumers are loyal to the BB brand.

Appendix 1

Organisation chart for BB



Appendix 2

From: Abdullah
To: BB directors

I want BB to expand and I am considering the following two options.

Option A:

Sell BB branded handbags to wholesalers. This will allow BB to sell its handbags all over the country. We will need to spend a lot of money on advertising in magazines aimed at people on high incomes. The economy has been growing rapidly and many people now have high incomes.

Option B:

To accept a contract to manufacture luxury handbags for a major global business. This global business will then sell these handbags using its own channels of distribution across the world. The global business has a recognised luxury brand and its handbags sell at very high prices in exclusive shops all over the world. All the workers will need to be skilled and fully trained as the highest quality will be expected. New equipment costing \$20 000 will need to be purchased. BB will still make some BB branded handbags.

We must meet to discuss which option you think we should choose.

Appendix 3

Summary of BB balance sheet (\$000)

	2015	2016
Non-current assets	100	120
Current assets:		
Inventories	10	40
Cash	10	10
Trade receivables	10	40
Current liabilities:		
Trade payables	40	50
Non-current liabilities:		
Long-term bank loan	80	80

3(a) Identify and explain **two** benefits to BB of having an organisation chart.

Benefit 1:

.....

Explanation:

.....

.....

.....

.....

.....

Benefit 2:

.....

Explanation:

.....

.....

.....

.....

.....[8]

T T-shirts (TT)

TT is a private limited company set up 15 years ago in country P. It buys ready-made plain white T-shirts and then prints designs on them. The T-shirts are imported from country Q, a developing country. TT has 50 different designs that are produced in batches of various sizes, from child size to extra large adult size.

The T-shirts are sold to small retailers in country P. These retailers expect high quality products. The Marketing manager is considering changing the 'place' part of its marketing mix as she wants to increase sales of T-shirts.

The share capital invested to start up the company was \$2m. Shareholders' funds had increased to \$8m by 2015, but stayed at this level in 2016.

TT directors want to expand the company by exporting their T-shirts and are considering the following two options.


Option A:

Take over DesOwn, a competing company, which manufactures personalised T-shirts to the customers' own designs. This company only sells online and its brand is recognised worldwide. It has a large share of this global e-commerce market. TT will have to raise \$10m to buy out the existing shareholders. Some workers could be made redundant if departments in the new company are merged with those in TT.

Option B:

Invest in expanding its own production facilities by buying new computer-controlled equipment for \$500 000. This will allow an increase in the production of the existing range of T-shirts. TT could then sell directly to large retailers in other countries. However, they may have to use an agent or go into a joint venture to be successful.

Appendix 1: Advertisement



T T-shirts

- High quality material used
- Many designs available – lots of choice
- All sizes available – from child to extra large adult
- Buy T-shirts from small clothing retailers across the country

Appendix 2

SMS (text) message from TT production employee to a friend

Really unhappy at TT factory! – expected to do a lot of work on tasks I am not paid for – expected to advise customers on designs when I have no training on this – shouted at if I do anything wrong or do not make a lot of T-shirts each week – the Operations manager just tells me what to do and she never asks what I think. If I say anything then I am told to keep quiet. Really fed up and want to leave. ☹️

I never know what is happening at the factory as information is only put on one noticeboard but that is in the other building!

Appendix 3

TT financial information (\$m)

	2015	2016
Revenue	10	15
Cost of sales	2	4
Expenses	7	9
Capital employed	10	14

2(a) Identify **two** motivational theories and explain how TT could use these theories to help increase worker motivation.

Theory 1:

Explanation of how TT can use this theory:

.....
.....
.....
.....
.....
.....
.....
.....
.....

Theory 2:

Explanation of how TT can use this theory:

.....
.....
.....
.....
.....
.....
.....
.....
.....

[8]

3(a) Identify **two** communication barriers which might occur within TT and explain how each barrier might be reduced.

Communication barrier 1:

.....

How barrier might be reduced:

.....

.....

.....

.....

.....

Communication barrier 2:

.....

How barrier might be reduced:

.....

.....

.....

.....

.....[8]

City Café (CC)

When George Brown left school he worked as a chef in several restaurants but he had always wanted to be his own boss. He set up City Café (CC) as a sole trader 15 years ago. He purchased a building with \$10 000 he received from his grandfather and made it into a café. It is located in the centre of Main City, in country X. George works very hard and is willing to take risks. He creates his own recipes for the café and his customers like the food.

CC has been successful every year and George has always paid himself a high salary. However, he now wants to increase the profit from CC by expanding the café. It is already open every day from 08:00 to 20:00 and in order to serve more customers he needs a larger café. The café is located in a very busy shopping mall. George has undertaken some market research and found out that 50% of his customers visit the café every day. The other 50% of customers visit less frequently and are often attracted by the special menu items on the board outside the café.



George is considering two options for expansion.

Option 1:

Buy the building next door and make it into one larger café that can serve 50% more customers. The building became empty after a clothes shop closed. The cost of the shop is \$20 000 and it will cost \$10 000 for redecorating and building work.

Option 2:

Move to a new building 10 kilometres away in another part of the city. This building is twice as large as the existing café and will cost \$2 000 a year to rent as it is not for sale. George will be allowed to redecorate and he will need to buy equipment for the kitchen. The total cost for this will be \$5 000. It is in a busy part of the city with many shoppers visiting the area.

Appendix 1

Daily News
2018

2 February

The Government has forecast that interest rates will be increased later this year. This is very worrying for many local businesses that require finance. Country X has a fast growing economy and the Government does not want this to lead to higher inflation.

A multinational coffee shop chain wants to open cafés in malls all over country X, attracted by the high rate of economic growth. Local businesses are worried about the competition from this business as it benefits from economies of scale. Some market researchers think that customers will prefer to stay with their local café and not use an international style of café.

Appendix 2 Three applicants for the vacancy of chef (cook)

	Jim	Sally	Vera
Experience	6 years as a chef in a small café with some responsibility for managing the café	10 years as a chef in a large city centre restaurant	18 years as a chef in a high quality café in an expensive shopping mall
Age	25	35	40
Interests	Holidays abroad	Taking part in cooking competitions	Baking cakes and cooking
Qualifications	Health and safety qualification 3 IGCSEs	Qualified chef 6 IGCSEs	12 IGCSEs 2 Cambridge A Levels
Wage per hour in previous job	\$5	\$7	\$10

Appendix 3 Cash flow forecast for CC for the second half of 2018 (\$000)

	July	August	September	October	November	December
Cash from sales	10	15	10	5	5	4
Total cash inflows	10	15	10	5	5	4
Payment to suppliers	3	5	2	2	2	2
Fixed costs	4	4	4	4	4	4
Bank loan repayments	2	2	2	2	2	2
Total cash outflows	9	X	8	8	8	8
Net cash flow	1	4	2	(3)	(3)	(4)
Opening bank balance	1	2	6	8	5	2
Closing bank balance	2	6	Y	5	2	Z

2(b) George needs to recruit an additional chef.
Consider the advantages and disadvantages of each of the **three** applicants outlined in Appendix 2. Recommend which applicant George should recruit. Justify your choice.

Jim:.....
.....
.....
.....
.....
.....
.....

Sally:.....
.....
.....
.....
.....
.....
.....

Vera:.....
.....
.....
.....
.....
.....
.....

Recommendation:.....
.....
.....
.....
.....
..... [12]

Question	Answer	Mark
3 (a)	<p>Identify and explain two benefits to BB of having an organisation chart.</p> <p>Knowledge [2 × 1] – award one mark for each benefit Analysis [2 × 1] – award one mark for a relevant explanation of each benefit Application [2 × 2] – award two application marks for each benefit</p> <p>Award one mark for each benefit (maximum of two), such as:</p> <ul style="list-style-type: none"> • Shows how everybody is linked together in the organisation • Each individual can see their own position in the organisation • It shows the links and relationship between different departments • Employees can see their position and it gives them a sense of being part of the organisation/belonging <p>Award a maximum of three additional marks for each explanation – 2 of which must be applied to this context – of the benefit.</p> <p>Indicative response:</p> <p>It shows Abdullah how everybody links together in the company (k) such as the Operations Director is responsible for the factory manager and 100 production workers. (ap) If any of the employees have a query then they will know who to ask and who is their line manager. (an) If Abdullah wants to know about the sales figures he will ask the Marketing Director who will ask the sales manager to let him know about the figures. (ap)</p> <p>Possible application marks: small private limited company; manufactures leather handbags and belts; always delivered on time; directors all family members; uses batch production; skilled workers; uses examples from Appendix 1.</p> <p>There may be other examples in context that have not been included here.</p>	8

Question	Answer	Mark
2 (a)	<p>Identify two motivational theories and explain how TT could use these theories to help increase worker motivation</p> <p>Knowledge [2 × 1] – award one mark for each theory</p> <p>Analysis [2 × 1] – award one mark for a relevant explanation for each theory</p> <p>Application [2 × 2] – award two application marks for each theory</p> <p>Award one mark for each theory (maximum of two), from:</p> <ul style="list-style-type: none"> • Taylor – scientific management approach, money is the main motivator, pay according to tasks performed so speed is encouraged, specialisation would make best use of skills • Maslow – hierarchy of needs, satisfy physiological, safety, social, self-esteem, selfactualisation needs to increase motivation • Herzberg – two factor theory where hygiene factors relate to the working environment and motivating factors relate to improving the job itself so that work is meaningful and the worker is given responsibility <p>Note: There may be reference to other motivational theorists.</p> <p>Award a maximum of three additional marks for each explanation – 2 of which must be applied to this context – of the theory.</p> <p>Note: The explanation must focus on how TT can use each specific theory.</p> <p>Indicative response:</p> <p>Taylor (k) believed that money is a main motivator for workers (an) and so TT should increase the workers' wages especially to pay them for all the tasks they do (app) and then they may feel more motivated and less unhappy in their jobs and not want to leave (app).</p> <p>Possible application marks:</p> <p>prints designs; 50 different designs; batch production of various sizes; expect high quality; personalized T-shirts; really unhappy factory workers; may be made redundant if taking over another business; Operations Manager just tells me what to do; she never asks what I think; shouted at if I do anything wrong; told to keep quiet; no training on selling; workers want to leave; information is only put on one noticeboard.</p> <p>There may be other examples in context that have not been included here.</p>	8

Question	Answer	Mark
3 (a)	<p>Identify two communication barriers which might occur within TT and explain how each barrier might be reduced.</p> <p>Knowledge [2 × 1] – award one mark for each barrier</p> <p>Analysis [2 × 1] – award one mark for a relevant explanation for each barrier</p> <p>Application [2 × 2] – award two application marks for each barrier</p> <p>Award one mark for each barrier (maximum of two), such as:</p> <ul style="list-style-type: none"> • Problems with the sender – different languages in country P and country Q/ not made the message clear /speaks quickly/sends message to wrong person/too many workers to contact • Problems with the medium – message lost/no feedback given/wrong channel used/message not picked up • Problems with the receiver – not listening/ may not trust the sender/not understanding the message • Problems with feedback – only one-way communication/there is no feedback/distortion of feedback as passed through too many people/ long chain of command • Problems with the physical environment – noise level/separate buildings/time difference <p>Award a maximum of three additional marks for each explanation – 2 of which must be applied to this context - of how the barrier might be reduced.</p> <p>Indicative response:</p> <p>Problems with the medium used (k) in the case of TT information is put on a factory noticeboard in another building where the workers do not see it (app). If the message is put on a noticeboard in the same building as the factory workers and also in a newsletter sent to every worker in the T-shirt factory (app) then this should ensure that all workers receive the information and the barrier will be overcome (an).</p> <p>Possible application marks:</p> <p>Private limited company; in country P/Q; prints designs; T-shirts imported from country Q, a developing country; sold to small retailers in country P; expand the company; exporting T-shirts; take over DesOwn, a competing company; personalized T-shirts; sells online; use an agent or a joint venture; really unhappy factory workers; shouted at if I do anything wrong; workers want to leave; workers in the factory; Operations manager just tells me what to do; she never asks what I think; told to keep quiet; no training on selling; information is only put on one noticeboard.</p> <p>There may be other examples in context that have not been included here.</p>	8

Question

Answer

Mark

2 (b)

George needs to recruit an additional chef. Consider the advantages and disadvantages of each of the three applicants outlined in Appendix 2. Recommend which applicant George should recruit.

Justify your choice.

Relevant points might include:

Applicant	Advantages	Disadvantages
Jim	<ul style="list-style-type: none"> • Already has experience of managing a café less training costs • easier to delegate responsibility for running the café • may have suggestions to improve the café • probably expects low wages as previous job only paid \$5 per hour 	<ul style="list-style-type: none"> • Few qualifications – only 3 IGCSE's • Less experience than the other two applicants • Not as interested in cooking as other applicants
Sally	<ul style="list-style-type: none"> • Experience of working in a large busy restaurant means new working practices could be introduced to café • Highest qualified of the three, so skilled and may cook high quality meals • Middle wage in previous job of the three applicants 	<ul style="list-style-type: none"> • No experience of working in a café • May not be interesting enough as less range of meals cooked in café than restaurant
Vera	<ul style="list-style-type: none"> • Enjoys baking and cooking so maybe can cook new menu items • A lot of experience means no training required • Highest experience and in a high quality café so may bring new ideas to CC 	<ul style="list-style-type: none"> • Highest wages of the 3 applicants • No formal cooking qualifications • Lack of experience in a basic café so may have unrealistic expectations of the cafe

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

Level 1 [1–3 marks] Outline of advantages and/or disadvantages of each applicant. 1 mark for each L1 statement (max of 3 marks) e.g. Sally has many years of experience as a chef which will be useful to CC to cook different meals.

12

Level 2 [4–6 marks] Discussion of advantages and/or disadvantages of each applicant. One L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Sally has many years of experience as a chef which will be useful to CC to cook different meals. She is also well qualified as a chef, which should mean she could develop new recipes for the café menu. This will keep customers loyal to the café as well as attracting new passing trade. However, she is over qualified for a café and may not stay there long. (Level 2 plus one application mark for answering in the context of the café and its menu)

Level 3 [7–10 marks] For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation as to which applicant to appoint.

9–10 marks for well justified recommendation as to which applicant to appoint rather than the other applicants. 7–8 marks for some limited judgement shown as to which applicant to appoint.

Award up to 2 additional marks for relevant application.

Possible application marks:

Set up as his own boss – sole trader; set up café 15 years ago; bought a building for \$10 000; cafe is located in shopping mall in Main City; creates his own recipes for the café; wants to expand the café and increase profit; cafe is open 6 days a week; advertises using menu board outside the café; details of the two options for expansion; café/restaurant. There may be other examples in context that have not been included here.