
BUSINESS STUDIES

7115/22

Paper 2

October/November 2014

INSERT

1 hour 45 minutes

READ THESE INSTRUCTIONS FIRST

This Insert contains the case study material.
Anything the candidate writes on the Insert will not be marked.



This document consists of **3** printed pages and **1** blank page.

ACE Engineering (ACE)

ACE is a public limited company located in country Z. It makes large ovens which are sold mainly to restaurants and hotels in many different countries.

The main components used to make the ovens are metal. There are also rubber components which fit around the oven doors and electrical components for the temperature controls. Only the electrical components are imported. All other components are purchased locally.

ACE employs 200 production workers in its factory and 50 office workers. A high proportion of the workforce leaves each year and the Human Resources department has frequently to recruit and train new employees. All employees are members of a trade union. The directors of ACE have held meetings to discuss how to manage the employees effectively. They want to improve the employees' motivation. The managers expect workers to follow instructions and the workers are told they will be dismissed if they do not follow orders.

Appendix 1

Financial information on ACE Engineering

2012	
Sales revenue	\$ 200 m
Gross profit	\$ 150 m
Expenses	\$ 130 m
Capital employed	\$ 100 m
Gross profit margin	75%
Net profit margin	10%
Return on capital employed (ROCE)	20%

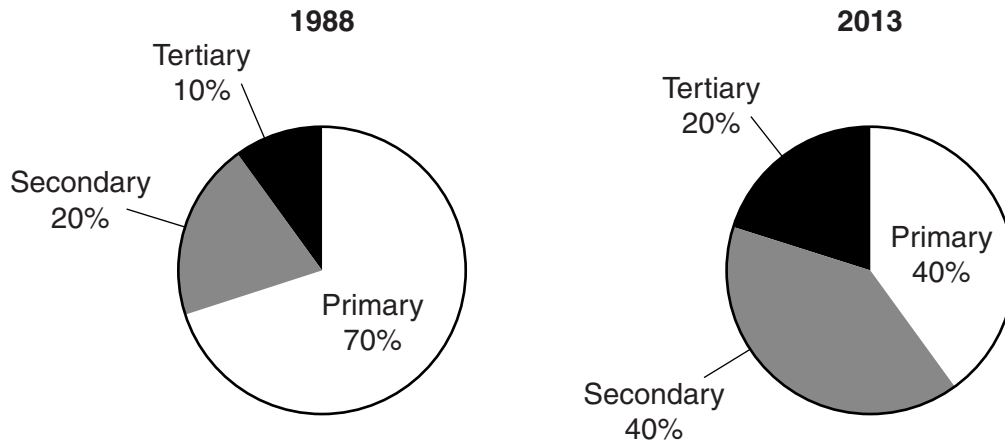
2013	
Sales revenue	\$ 250 m
Gross profit	\$ 200 m
Expenses	\$ 160 m
Capital employed	\$ 120 m

Appendix 2

Information about country Z

The main industries in country Z were agriculture, rubber plantations and iron ore mining. Towns and cities have expanded as many people have moved from farms to find jobs that pay higher wages. Consumer incomes are rising rapidly in country Z.

Pattern of employment



Appendix 3

To: Operations Manager of ACE
 From: Managing Director of ACE
 Date: 4 October 2014
 Re: Efficiency improvements

We need to be efficient to remain competitive. We should be using lean production methods.

All our competitors use lean production methods such as just-in-time and waste reduction. Please research this for me and let me know what you think.

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NUMBER

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Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

Do not use staples, paper clips, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.

The Insert contains the case study.

The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **11** printed pages, **1** blank page and **1** Insert.

1 (a) Identify and explain **two** advantages to ACE of being a public limited company.

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

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[8]

(b) The directors of ACE want to introduce lean production. Consider the advantages and disadvantages of **two** methods of lean production the directors of ACE could use. Recommend which would be the best method to use. Justify your answer.

Method 1:

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Method 2:

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Recommendation:

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[12]

- 2 (a) Identify and explain **one** advantage and **one** disadvantage to ACE of all of its employees being members of a trade union.

Advantage:

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Explanation:

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Disadvantage:

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Explanation:

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(b) Consider the advantages and disadvantages of **two** management styles which could be used by managers at ACE. Recommend which would be the best style for the managers to use if they want to improve motivation. Justify your answer.

Management style 1:

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Management style 2:

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Recommendation:

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[12]

- 3 (a) Identify and explain **two** suitable pricing strategies ACE could use when selling its products in new markets in other countries.

Pricing strategy 1:

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Explanation:

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Pricing strategy 2:

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Explanation:

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(b) ACE needs to communicate with a foreign supplier because there is a problem with the delivery of electrical components. Consider the advantages and disadvantages of **three** methods of communicating with the foreign supplier. Recommend which method should be used. Justify your answer.

Method 1:

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Method 2:

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Method 3:

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Recommendation:

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- 4 (a) Identify **four** stakeholder groups of ACE and explain why each group will be interested in the published accounts.

Stakeholder 1:

Explanation:

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Stakeholder 2:

Explanation:

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Stakeholder 3:

Explanation:

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Stakeholder 4:

Explanation:

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.....[8]

5 (a) Refer to Appendix 2.

(i) Identify and explain **one** effect on businesses in country Z of changes in the agricultural sector.

Effect:

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Explanation:.....

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(ii) Identify and explain **one** effect on businesses in country Z of changes in the secondary sector.

Effect:

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Explanation:.....

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(b) Consider how the following changes might affect ACE as it starts to export its products to another country (called country X). How important do you think each of these changes will be to ACE? Justify your answer.

Unemployment rises in country X:

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Subsidies introduced for domestic businesses in country X:

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Country X's currency depreciates:

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[12]

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