

**BUSINESS AND MANAGEMENT  
STANDARD LEVEL  
PAPER 2**

Thursday 6 May 2004 (morning)

1 hour 30 minutes

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**INSTRUCTIONS TO CANDIDATES**

- Do not open this examination paper until instructed to do so.
- Answer three questions.

## 1. **Bowlarama**

*Bowlarama* is a company that offers franchises to set up bowling alleys that provide affordable bowling for families. It is planning to open a bowling alley in a central area of Mexico City. The aim is to keep the number of staff employed to a minimum. The only staff required are those needed for security, safety and cleaning. Slot machines give change and dispense equipment. The bowling lanes are booked using the Internet or machines located in the foyer. Refreshments are only available using vending machines. Shoes are automatically cleaned.

Pablo Santiago is interested in buying a *Bowlarama* franchise. Research shows that there are a large number of young people in Mexico City with high levels of disposable income and that there are not many bowling alleys. There are, however, leisure facilities and other attractions in the city which are very popular with residents and visitors. The area that *Bowlarama* have chosen is quite wealthy and house prices are rising steadily. Unemployment is low and the standard of education is good. Pablo currently manages another leisure facility and has a lot of contacts in the entertainment industry. Pablo's management style is very personable and people find it easy to talk to him about their problems. He lacks skills in dealing with his finances and prefers to pay an accountant to make sure the accounts are in order.

- (a) What are the benefits to the customers of keeping the number of staff employed to a minimum? [4 marks]
  
- (b) Explain **three** advantages and disadvantages for Pablo Santiago of operating a franchise. [6 marks]
  
- (c) Prepare a SWOT analysis of the *Bowlarama* franchise opportunity and make a recommendation to Pablo Santiago about whether to buy the *Bowlarama* franchise. [10 marks]

**2. Geofarms**

*Geofarms* is an organic farming company established in 1998 by Philip Hayes and his brother Martin. In the past, customers have come to the farm to collect their vegetables but now Philip wants to buy a second-hand van in order to offer a home delivery service direct to the customers' door. Martin thinks that it would be wiser to invest their money in a computer and website to reach a wider market and therefore increase profit. The cost of purchasing the van is \$5 350. The cost of purchasing a computer and setting up a website would be \$2 200. The expected income from these investments is shown below:

<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Van	1 000	1 200	1 200	1 200	1 400	1 700	1 800	2 300	11 800
Computer	600	900	1 100	1 100	1 200	1 300	1 800	2 300	10 300

- (a) To the nearest month, calculate the payback period for the van and the computer. [4 marks]
  
- (b) Discuss **two** advantages and **two** disadvantages to the customer of a delivery service compared to collection from the farm after ordering online. [8 marks]
  
- (c) Evaluate whether *Geofarms* should buy a van or provide an Internet service for their customers. [8 marks]

### 3. Synergy Oil

*Synergy Oil* is an international company with offices in 17 countries and a head office in Vienna, Austria. Poor communication has led to low motivation and decreased productivity. Amir Sahid has been employed to improve communication in the organization. Employees are concerned that Amir will make major changes to the organization. As part of the process Amir conducted interviews with some staff. The following are some quotes taken from the interviews:

“Whenever I want to speak to Amir at head office, he has left for the day, and when messages are returned, I am not at work.” (Jo Palin – Perth, Australia)

“I used to enjoy my job but now I have trouble finding out important information.” (Emmanuelle Bukhari – Caracas, Venezuela)

“Meetings don’t seem to be important. I feel I have no place in setting the agenda, Amir does it all. My ideas are not considered when decisions are made.” (Steffan James – Singapore)

Amir finds it difficult to make any decisions and is inclined to allow staff he works with to make decisions. He believes that the staff are generally lazy and do not want to work. His inability to make decisions contrasts with his belief that staff cannot be trusted. He has set up systems to control and monitor the work that staff are doing.

- (a) Evaluate **three** ways in which Amir Sahid can improve the effectiveness of communication in *Synergy Oil*. [6 marks]
- (b) Use motivation theory to explain how poor communication might reduce motivation. [6 marks]
- (c) Analyse the leadership and management style of Amir Sahid and the implications of this style for *Synergy Oil*. [8 marks]

#### 4. Gateway Tours

Joel Adeoye is preparing a business plan to set up a company providing escorted tours around the United Kingdom for American and Japanese tourists. *Gateway Tours* will operate two coaches, which will visit London, Edinburgh, Stratford-Upon-Avon and Bath. Included in the cost of the tours is entrance to attractions, hotels and meals. *Gateway Tours* intends to pay hotels for the accommodation and meals. Forecast expenses and sales for May 2004 to October 2004 are as follows:

	\$
Loan from bank	40000
Rental of premises	1000 per month
Advertising	2000 per month
Wages	4000 per month
Telephone	75 per week
Electricity	400 per quarter payable in March, June, September and December
Insurance	750 per month
Rental of coaches	2000 per month
Coach running costs	1400 per month
Loan repayments	1500 per month

	Predicted sales	Predicted outgoings (hotels and meals)
May	42 050	25 250
June	48 300	28 300
July	49 750	28 300
August	51 040	30 270
September	39 750	22 050
October	24 300	19 800

As part of his market research, Joel has visited the hotels he plans to use. His findings show

- none of the staff at any hotel speaks a language other than English and French
- food trends to be typically British with little variety
- hotels are unfamiliar with Japanese and American etiquette.

- (a) (i) Produce a cashflow forecast for *Gateway Tours* for May to October 2004. [8 marks]
- (ii) Suggest **two** ways in which *Gateway Tours* could improve cashflow. [2 marks]
- (b) Explain what key information Joel Adeoye would have to include in a business plan when applying for a loan. [4 marks]
- (c) How could *Gateway Tours* ensure that their customers receive a positive experience at their hotels? [6 marks]

## 5. DD Lobsters

Darelyn Dawson is the managing director of *DD Lobsters*, based in Sydney, Australia. *DD Lobsters* supplies fresh lobsters to restaurants in Shanghai. Lobsters are caught off the coast of South Australia, using fishing boats owned by the company, and flown to Sydney. They are then stored in salt baths until required. Prior to transportation to Shanghai, the temperature of the water is reduced to preserve the lobsters. Casual workers pack the lobsters into boxes and they are then flown to the restaurants.

Over time, Darelyn has learned the best process for transportation. She has learned techniques to reduce waste. Prior to this, 30 % of lobsters died in transit, increasing the price charged to restaurants. Darelyn has to travel extensively checking quality and ensuring smooth operations. Concerns have been expressed by her, that unless she is present, the casual workers are not motivated and quality decreases. Darelyn finds the work exhausting and is considering moving from supplying the restaurant trade in Shanghai to buying a soup manufacturer, Exotic Soups Ltd. This means that she will not have to travel and may overcome her concerns about the casual workers. In addition to this, an animal rights pressure group has been protesting about the temperature reduction, packaging and transportation of the lobsters.

- (a) Identify **three** stakeholders for *DD Lobsters* and explain how they might be concerned about the decrease in quality. [6 marks]
  
  - (b) Explain the concerns of the pressure group about the preparation and transportation of the lobsters and state an improvement Darelyn Dawson could make to improve the image of the company. [6 marks]
  
  - (c) Analyse the reasons why Darelyn Dawson is considering buying Exotic Soups Ltd and no longer supplying restaurants. [8 marks]
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