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**AS  
BUSINESS**

**Paper 1 Business 1**

**7131/1**

**Insert**

**Source Material for answering Questions 16 and 17.**

**[Turn over]**

**1 6** Source material for Question 16.**HORIZONS LTD**

**In 2010, Yusuf set up his own accountancy business, Horizons Ltd. Yusuf had previously been a successful manager in a large accountancy company.**

**Currently, Yusuf has 18 employees, all of whom report directly to him. Yusuf tells his staff to check all important decisions with him; he says this is because one wrong decision could be costly for the business both financially and in terms of its reputation.**

**As the business has grown, Yusuf has had to work longer hours. He is finding this workload a strain and recently had time off with stress. This delayed the completion of some jobs and Horizons Ltd had to charge some of its clients less for this accounting work as a result.**

**To try to increase revenue, Yusuf has recently decreased prices. Horizons Ltd now charges around 10% less than rivals. The business also spent £45 000 for the year on the promotional mix; £35 000 of this was on print advertising such as newspapers and £10 000 a year on social media advertising.**

Yusuf's team is made up of newly qualified accountants. Staff morale is very low. The productivity of the staff is lower than at several rival businesses despite the fact that they are paid 8% more than the industry average. Many staff feel they are unable to use their initiative and that they have little responsibility. Labour turnover is high at the business.

Yusuf has recently hired a management consultant to look at how he can improve the performance at Horizons Ltd.

The consultant:

has produced some analysis of the forecasted effectiveness of print and social media advertising for Horizons Ltd (see FIGURE 2, on page 4, and FIGURE 3, on page 5,) has estimated that the price elasticity of demand for Horizons Ltd work is  $-0.3$ .

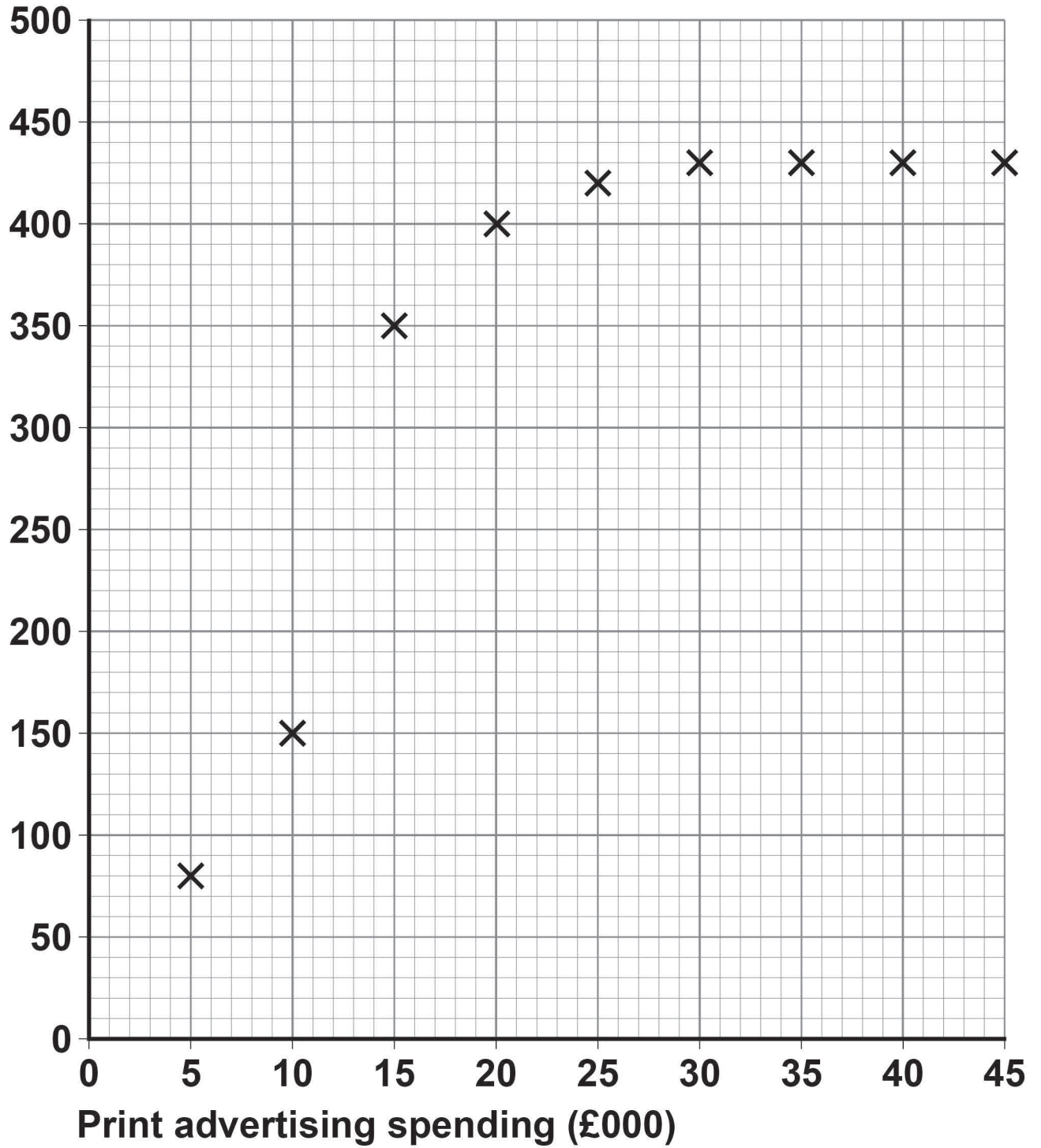
The consultant has also produced a plan for a new organisational design in which she recommends that Yusuf:

- a) recruits three new managers from outside of the business to manage six staff each
- b) delegates to these new managers much of his day-to-day work.

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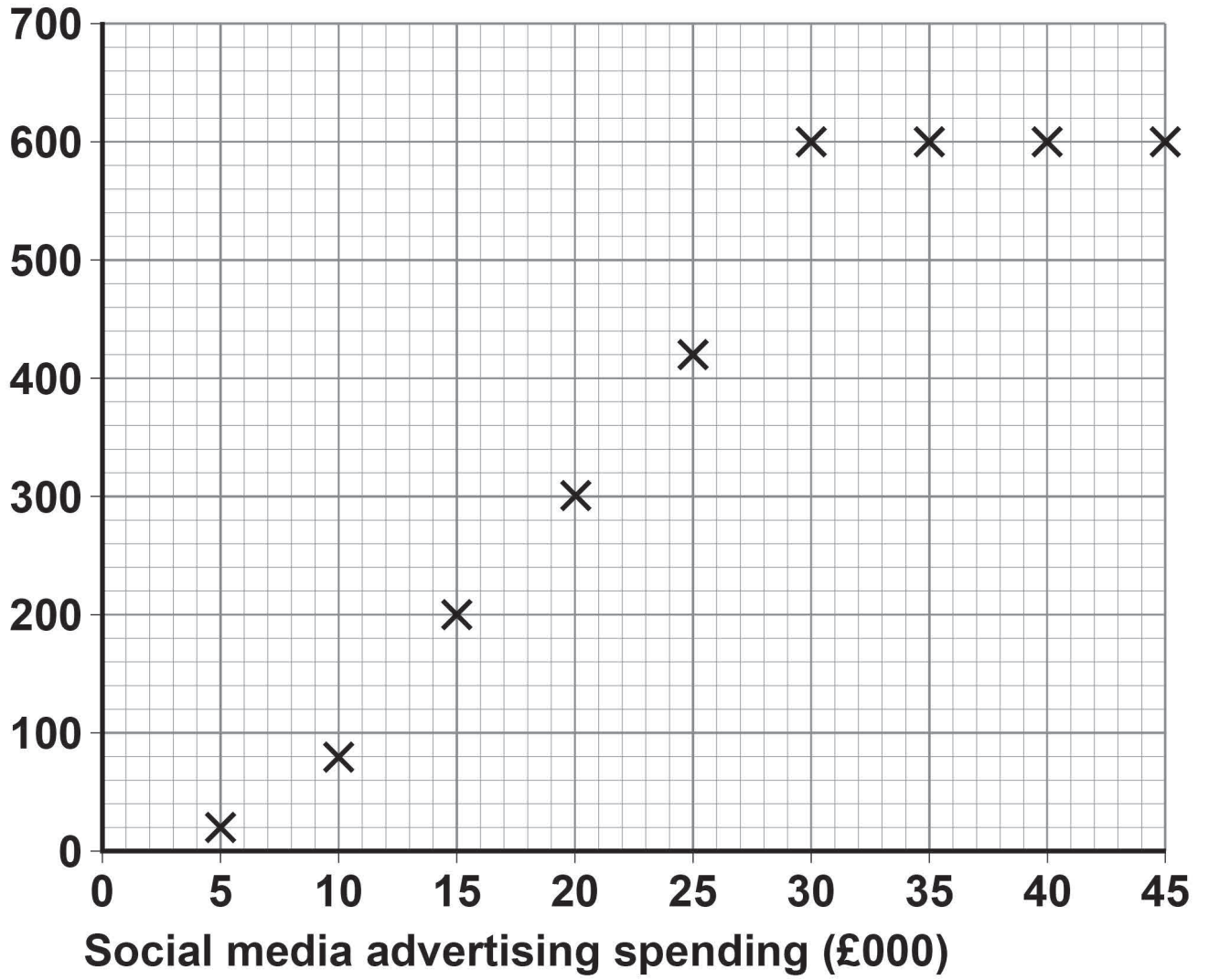
FIGURE 2

Sales  
(£000)



**FIGURE 3**

**Sales  
(£000)**



**[Turn over]**

**17** Source material for Question 17.

## **GLADE LTD**

**Mary is the Chief Executive of Glade Ltd, a company that manufactures tables. Glade Ltd currently produces 4000 tables each year. It hopes to increase sales by 50% over the next three years and even more in the long run.**

**Glade Ltd has a reputation for being ethical because:**

- Glade Ltd's mission is to be the leader in its industry for using sustainable materials in its products. This means, for example, that it uses wood from companies that replant new trees to replace those cut down. Glade Ltd's main competitors use about 40% of sustainable materials in their final products. Glade Ltd currently has 70% of sustainable materials and wants to continue improving this**
- it pays its suppliers within one month of delivery.**

**Glade Ltd makes relatively low profits but a bigger issue is its regular cashflow problems. The company's bank manager has offered Mary a large overdraft facility and has told her that interest rates are likely to fall soon. Mary is not sure whether to take out an overdraft or not.**

**Glade Ltd sells all its tables to three big retailers. These retailers buy in large quantities. Glade Ltd typically gets paid between two and three months after it delivers the orders. Glade Ltd's largest rival gets paid within six weeks by threatening to charge interest on money still owed after this time.**

**Glade Ltd has one main supplier for the materials it uses in its tables. Mary has recently appointed a new operations manager, who has suggested that Glade Ltd switches to a new supplier. The comparison of suppliers is given in TABLE 3, on page 8. The price of materials and payment terms would be the same for both suppliers.**

**The operations manager also thinks that Glade Ltd should try to reduce the amount of warehousing space the company has and sell some of the land where it is based.**

**[Turn over]**

**TABLE 3**

	<b>Existing supplier</b>	<b>New supplier</b>
<b>Capacity for orders for Glade Ltd</b>	<b>5700 a year</b>	<b>9000 a year</b>
<b>Lead time</b>	<b>12 days</b>	<b>8 days</b>
<b>Percentage of materials supplied to customers that are from sustainable sources</b>	<b>70%</b>	<b>90%</b>

**END OF SOURCE MATERIALS**



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