

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**  
**ADVANCED GCE**

**2877**

**BUSINESS STUDIES**

**Further Operations Management**

**MONDAY 25 JANUARY 2010: Afternoon**

**DURATION: 1 hour 30 minutes**

**SUITABLE FOR VISUALLY IMPAIRED CANDIDATES**

**Candidates answer on the Answer Booklet.**

**OCR SUPPLIED MATERIALS:**

**8 page Answer Booklet**

**OTHER MATERIALS REQUIRED:**

**A calculator may be used**

**READ INSTRUCTIONS OVERLEAF**

## **INSTRUCTIONS TO CANDIDATES**

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the spaces provided on the Answer Booklet.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer ALL the questions.
- Write your answers on the separate Answer Booklet provided.
- If you need extra sheets of paper, fasten these sheets securely to the Answer Booklet.

## **INFORMATION FOR CANDIDATES**

- The number of marks is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is 60.
- You will be awarded marks for the quality of written communication where an answer requires a piece of extended writing.

## **SHIFTER AND GO REMOVALS LIMITED (SGRL)**

Shifter and Go Removals Limited (SGRL) is a family run removal company based in Essex. Matt and Sue Golding started the business in 1979, offering a range of storage and removal services for households, shops and offices. Originally based in a small warehouse in Chelmsford the company prospered. However it soon became apparent during the housing boom of the late 1980s they would have to move to larger premises. SGRL rented a large area of land in a disused railway yard, which had suitable storage space for their vehicles. SGRL also built a large new secure warehouse in which they could also store furniture for customers. 5 10

The UK economy grew steadily in the 1990s and, with the opening of the Channel Tunnel and growth of ferry services from Dover, SGRL were ideally located to benefit from the rise in second home ownership in the UK and Europe. Additionally SGRL were benefiting from the increasing numbers of people from south east England who had decided to retire and live in France. 15 20

The 1990s also saw a significant increase in laws and regulations affecting vehicle operators. All drivers had to be fully trained and licensed to drive the wide range of vehicles in SGRL's fleet. Staff also had to be trained on how to handle the items removed from homes and other premises. Some of these items were very heavy, or required special handling. Many were also valuable and so had to be packaged appropriately. SGRL did not want to run the risk of compensation claims for injuries from its own staff, or for items damaged during removal and delivery. Also, all of SGRL's vehicles had to be regularly 25 30

serviced and pass the various road tests set by the government.	35
Sue, who is in charge of the administrative side of the business, uses contribution costing when quoting for a job. Jobs vary according to distance, size of vehicle, crew numbers, packaging required etc. Over recent years, due to the downturn in the economy and also the problems in the housing market, the number of removals has declined sharply. Matt thinks either absorption or full costing might be a more appropriate costing method to use when drawing up job quotes.	40 45
SGRL has also made use of recent improvements in technology. CCTV covers all storage facilities, and all stored items are bar coded for easy retrieval. All vehicles have been fitted with hands free mobile phone and satellite navigation and tracking equipment. SGRL can now be in constant contact with their drivers and Sue can see where all the vehicles are at any time. They are able to pass information to customers about when a removal lorry is likely to arrive, Sue can also monitor the performance of the crews. This is particularly useful for tracking SGRL's removal vans in Europe and has helped the business to maximise vehicle usage.	50 55
SGRL's bigger rivals had gained economies of scale through having depots across the UK. Therefore, in 2007, SGRL took the decision to expand its business by buying another removal company in Bristol. Matt saw this as an opportunity to diversify into other geographical regions. SGRL could now offer their services across the whole of Southern England and use the ports of Southampton and Portsmouth to extend their removal services in France and Spain.	60 65

To Matt this was a strategic business decision as he suspected the housing market decline would be more severe in south east England than in the south west. However as the economic recession has worsened SGRL now has to look urgently at ways it could change its methods of operation to reduce costs. 70

Fuel prices are also causing Matt some concern. Although most of the newer vehicles run on diesel there are 10 older vans, due to be replaced in three years time, that run on petrol, and Matt is exploring ways of improving their fuel efficiency. Matt has been in touch with The Greenfuel Company which converts vehicles to run on Liquefied Petroleum Gas (LPG). This fuel is considerably cheaper and they have sent Matt a quotation (SEE TABLE 1) showing how conversion will not only reduce his fuel bill but reduce the tax he has to pay on these vehicles as they are using a lower emission fuel. However this has to be balanced with the fact that LPG is not available in large numbers of petrol filling stations. 75 80 85

**TABLE 1 – FIGURES FROM THE GREENFUEL COMPANY QUOTATION.**

<b>Cost of converting each vehicle</b>	<b>£4500</b>
<b>Fuel savings per vehicle*</b>	<b>£5 per 100 miles</b>
<b>Saving in Vehicle Excise Duty (Road Tax)</b>	<b>Estimated at £50 per vehicle per year.</b>

***\*based on an average of 50 000 miles per year per vehicle.***

**Answer ALL questions.**

- 1 (a) Analyse TWO possible internal economies of scale SGRL might gain as a result of its takeover of a removal company in Bristol. [6]**
- (b) Evaluate the costs and benefits to SGRL of complying with health and safety legislation. [16]**
- (c) Discuss whether contribution costing is the most appropriate method of costing for SGRL. [10]**

- 2 (a) (i) Using the figures in Table 1, calculate the cost saving to SGRL over the remaining three years of 10 removal vans, if they were converted from petrol to LPG. [4]**
- (ii) Analyse TWO further implications for SGRL of converting their older vehicles to LPG. [6]**
- (b) Evaluate operational methods SGRL might be able to use to reduce the impact of the recession on the business. [16]**

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