



# Pearson BTEC Sample Set Assignment Brief

## Single Part Assessment

### Unit 7 – Business Decision Making

For use with:

## Pearson International BTEC Level qualifications in Business

*Foundation Diploma/Diploma/Extended Diploma*

## Pearson International BTEC Level qualifications in Enterprise and Entrepreneurship

*Foundation Diploma/Diploma/Extended Diploma*

<b>Advised Supervised hours</b>	3 hours
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### For completion by the centre

<b>Qualification (select as appropriate)</b>	Foundation Diploma/Diploma/Extended Diploma
<b>Assessment date</b>	

## Instructions to Teachers/Tutors and/or Invigilators

The Pearson Set Assignment will be assessed internally by the centre using the unit Assessment Criteria detailed in the qualification specification. The assignment will be sampled by the Standards Verifier as part of the standards verification annual centre visit.

### Conditions of supervision

The Pearson Set Assignment should be undertaken in conditions that ensure the authenticity of outcome. This may require supervision.

We advise that the Pearson Set Assignment be completed in sessions that come to a total of 3 hours. The Pearson Set Assignment should not be shared with learners prior to the start of the assessment period. Teachers/tutors are responsible for security of the Pearson Set Assignment and materials.

### Outcomes for Submission

Learners may submit handwritten or word-processed evidence for the Activity 1, and presentation software for Activity 2.

Learners must save their work regularly and ensure that all materials can be identified as their work.

Learners must submit their own, independent work as detailed in the set assignment. Each learner must complete an authentication sheet.

## Instructions to Learners

Read the Set Assignment Information and the Set Assignment carefully.

You will be asked to carry out specific activities using the information provided. You will be given a specific time period to complete the assignment using the information provided.

At all times you must work independently and must not share your work with other learners. You must complete an authentication sheet and submit this along with your work.

Read the Set Assignment Information carefully, then complete the activities detailed in the Set Assignment

## Set Assignment Information

*Sparks and Cables* has designed a new multifunctional cable cutter, the *Eazicut*, which will enable electricians to install electrical connections in half the time they currently take to complete the work.

The Directors are considering whether to manufacture the *Eazicut* in its existing factory in your own country or develop additional production facilities in the UK.

On the following pages you will find information relating to:

1. The options being considered by *Sparks and Cable* to increase its manufacturing capacity required for the production of the *Eazicut* tool.
2. An overview of the construction sector in the UK.
3. Financial data and information relating to *Sparks and Cable*
4. Location costs in *Sparks and Cable*'s current UK location.

### The current business

*Sparks and Cables* manufacture tools and equipment for the construction industry in your country. The business operates a factory near the capital city as well as four regional warehouses. The tools and equipment made in the factory are distributed to its regional warehouses. The factory is located in an industrial park and since the company was established ten years ago volume of traffic using the park has increased. Additionally, a new housing estate has been built close to the industrial park and this has resulted in a lot more traffic. *Sparks and Cable* is also concerned at the cost of operating the factory: being near the capital city, the rent is high and the skilled labour required by *Sparks and Cable* is expensive. The business has also experienced a shortage of labour and, at times, production capacity has also been restricted due to the availability of storage space in its current factory premises. Production of the *Eazicut* will require the business to establish a new manufacturing plant. The options currently under consideration are as follows:

### **OPTION 1:**

The business's current factory is located next to a building that could be converted into the additional production facilities required to manufacture the *Eazicut*. The company could obtain this at a reduced rent, although they would have to pay the cost of any adaptations.

### **OPTION 2:**

To acquire the additional factory space close to one of their regional warehouses in the north east of the country where the local council is offering 5-year interest free loans to businesses re-locating into the area as part of a local regeneration scheme aimed at addressing the high rates of long-term unemployed in the local region.

### **OPTION 3:**

Relocate part of the production facilities into the UK. The business has engaged a consultant to provide some background information on the UK and an extract from the consultant's report is shown below (Exhibit 1).

## **EXHIBIT 1: EXTRACT FROM CONSULTANT'S REPORT ON THE UK CONSTRUCTION INDUSTRY**

### **Market information and trends in the UK**

The construction industry in the UK is currently facing a number of challenges.

- There is an aging workforce and young people find the sector unappealing as a career choice resulting in a significant skills shortage with construction companies meeting demand with less staff.
- The construction industry faces strict margins and project deadlines.
- Productivity needs to improve.

The construction industry is a cyclical industry, meaning it gains strengths during economic upswings and faces challenges when the economy is weak. Small construction companies have the advantage of being flexible to respond to changes in the economic cycle by shifting their services towards projects in high demand.

The overall tool distribution market has increased and is expected to reach a value of \$1.2bn by 2018. Higher levels of construction, house building and repair and maintenance work - along with product innovation - result in growth which is supported by a good economic performance and higher levels of construction leading to market growth of 3-4% per annum, in value terms. Also assisting growth in recent years has been the trend away from do-it-yourself (DIY) to get-someone-in (GSI), as professional tradespeople tend to purchase higher value and quality tools, and also tend to replace tools more frequently.

### **Competition in the UK market**

Hand tools is a mature, steady sector with little significant step change in product development. Overall, the distribution of tools used in construction is highly complex and fragmented due to the number and ranges of products offered to a range of end-use sectors and contractors.

Tool distribution comprises a mix of large national players competing with many regional and local companies, in both trade and consumer channels. Buying behaviour, influenced by digital technology, has seen a change in the way companies deliver their proposition.



## **The role of technology in purchasing decisions in the UK**

Operating a transactional website has become increasingly important, and this has meant the Internet emerging as a key channel. Prospects for the overall market are generally positive, with moderate growth expected in the domestic sector and also across some non-domestic construction sectors. It is estimated that the tools distribution market will continue to grow by around 3% per annum.

## **Business challenges in the UK construction industry**

Despite the recent uplift in workload there still are many threats facing construction contractors. The increase in workload is putting pressure on main contractors who have secured work at low prices, with material and labour costs rising. Additionally, many contractors are now struggling with capacity issues to meet increased output requirements. Furthermore, margins remain under pressure influenced by rising material costs and wage inflation. The construction industry continues to face acute labour shortages in many key areas notably trades, such as bricklaying, roofing, carpentry, plastering and general labouring across the country.

Going forward, growth in the construction industry is expected to be underpinned by opportunities in large-scale infrastructure, public sector and private residential work as new private commercial sectors suffer a slight slowdown. The market is also likely to see increasing merger activities driven by the larger UK players as well as interest from overseas firms from Europe and Southeast Asia.

## FINANCIAL DATA AND INFORMATION ON SPARKS AND CABLES

1. The table below shows an extract of financial information taken from Sparks and Cables most recent financial statements

Extract from statement of comprehensive income		Extract from statement of financial position	
Item	\$	Item	\$
Revenue	185 000	<b>Assets</b>	
Cost of sales	59 200	Non-current	13 090
Gross profit	125 800	Current	17 340
Profit for the year	16 650	<b>Liabilities</b>	
		Current	8 000
		Non-current	4 000
		<b>Equity</b>	18 430

**Notes:**  
**Industry averages:**  
 (i) Gross profit margin: 70%  
 (ii) Net profit margin: 12%  
 (iii) Net current assets (working capital) ratio 1.5:1

2. The production costs of the *Eazicut* in the current location

Item	\$
<b>Fixed costs</b>	34 000
<b>Variable cost per unit</b>	22
<b>Selling price per unit</b>	62

**Notes:**  
**Market data:**  
 Cable cutters range in price in the home market from \$25 (aimed at the domestic consumer) to \$60 (for the professional electrician). Costs in the UK are, on average, 10% higher. Prices in the UK are, on average, 15% higher.

### 3. Premises costs in the home market

Costs	Current location	North-east factory location
<b>Annual rent</b>	\$27 000 fixed for three years then subject to annual review	\$22 000 in year 1 with 5% increase each year for the first 5 years
<b>Capital costs (including new machinery and premises refurbishment)</b>	\$100 000	\$100 000
<b>Finance options being considered</b>	(i) From reserves <b>and/or</b> (ii) Bank loan repayable at 5% per annum	(i) From reserves <b>and/or</b> (ii) Interest free loan payable over 5 years
Rental costs for industrial premises costs in the UK are, on average, \$60 per square metre per annum. Capital costs in the UK are estimated to be \$110,000. The business estimates that it requires industrial premises of 570 square metres.		

### Planning for the future

After reviewing the management information the owners of Sparks and Cables have established the following strategic priorities.

Strategic priority	Commentary
Growth	To secure growth in the volume and value of sales
Profitability	To increase gross and net profit margins so that they are above industry benchmarks
Product innovation	To expand the product range by introducing innovative hand tools which will contribute to increases in productivity of skilled workers in the construction industry

## Set Assignment

You must complete ALL activities

### ACTIVITY 1

Produce a formal report for the owners of *Sparks and Cables* that examines the three different options and their associated risks for the future direction of the business, and provides a decision with supporting rationale about which option the owners should invest in.

Your report should include:

- factors influencing the development and formulation of the business objective
- the business context
- influences on business performance
- a rationale for selected business decision.

Use data, where appropriate, to support your answer.

This activity covers assessment criteria for learning aims A, B and C.  
A.P1, A.P2, B.P3, B.P4, A.M1  
B.M2, A.D1, B.D2  
C.P6, C.P6, C.M3, CD.D3

### ACTIVITY 2

Prepare a set of 6 presentation slides with speaker notes using presentation software. The presentation should summarise the outcome of your analysis and present a reasoned justification for your decision.

This activity covers assessment criteria for learning aims D.  
D.P7, D.P8, D.M4, CD.D3