

Pearson LCCI

English for Business

Level 3

Thursday 9 June 2016

Time: 3 hours

Paper Reference

ASE3041

You must have:

An answer book

Instructions

- Do **not** open this examination paper until you are told to do so by the supervisor.
- Use **black/blue** ink or ball-point pen
 - *pencil can only be used for graphs, charts, diagrams, etc.*
- Ensure your answers are written clearly.
- Begin your answer to each question on a new page.
- Write on both sides of the page.
- All answers must be correctly numbered but need not be in numerical order.
- If you need more space, use the additional sheets provided. Write your name, candidate number and question number on each sheet and attach them to the inside of your answer book. State, on the front of your answer book, the number of additional sheets attached.
- Answer **all** questions.
- When you finish, cross through any rough notes and preparatory work.

Information

- The total mark for this paper is 100.
- There are four questions in this question paper
 - *each question carries equal marks.*
- The marks for **each** question are shown in brackets
 - *use this as a guide as to how much time to spend on each question.*
- There is credit for correct spelling, punctuation and grammar.
- You may use an English or bilingual dictionary.

Advice

- Read each question carefully before you start to answer it.
- Check your answers carefully if you have time at the end.

Turn over ►

P50463A

©2016 Pearson Education Ltd.

1/1/1



PEARSON

Answer ALL questions.

1 Situation

You are employed as an Administrator in the office of the Blackthorne Valley Railway. This is a preserved railway line, run mainly by volunteers. It offers a service of trains hauled by historical locomotives along a 20-kilometre stretch of the scenic Blackthorne Valley. The line starts at Northville City station and ends at Gosmond Junction, with a midway station at Blackthorne Halt. At its depot in Northville, the railway has sheds, a small museum and a café. A train service is offered, mainly at weekends.

The railway is run by a committee with the Chair, Mr Paul Ravelli, and yourself working on a part-time basis as administrators. The railway has just completed a weekend when many train services were offered. The weekend seemed to go very well despite some technical issues affecting the services.

This morning, Mr Ravelli shows you a letter he has received from a dissatisfied visitor. He said this to you:

We've received this letter from a Mrs Kirkup. I'm afraid she's not at all happy about her experience last weekend. She makes a lot of uncomplimentary comments about us, she states 'We were particularly disappointed that the train we had booked, the 10.00 am from Northville City, was hauled by a diesel locomotive rather than a steam locomotive, as advertised. We had been disappointed earlier that there appeared to be inadequate supervision at your car park, with the result that cars were not directed efficiently to available spaces on arrival.

Unfortunately, that was not all. The range of meals available at your restaurant in Northville when we made our return journey from Gosmond Junction was very limited. We noticed, also, that many of the books you sell in your small bookshop were more expensive than those available in the main bookshop in town'... and it goes on.

Oh dear! We don't like to disappoint visitors, but I have to say that some of these comments are very unfair. For example, we don't have a 'restaurant', do we? We have a café that sells refreshments and light snacks – our homemade cakes have won awards! If someone wants a full scale meal, they really should go elsewhere – there are plenty of places near our station. And as for our books being more expensive than those in the bookshops in town, well, people should remember that any profit we make goes to help to fund the railway.

You'll need to have a word with John Fowler who was in charge of operations that day. When you have done this, please reply to Mrs Kirkup. It would be good if you could start your letter by pointing out that most of the staff are volunteers and they all do their best to satisfy our visitors, even though we know some need more experience of car park duties. However, please do your best to be as tactful as you can. We don't want to lose a customer, do we?

You speak to Mr Fowler who said this to you:

To be honest, we did hope to run the 10.00am service with one of our preserved steam locomotives, but we've had a problem with its firebox, and on the day we felt we could not use it for safety reasons. The replacement was a diesel, but it was a famous locomotive – one of the first such locomotives made by the Drewry Manufacturing Company. I don't want to be too technical but it has many amazing features – possibly the first CA5 type five-speed epicyclic gearbox ever made! I know our visitors don't need to know all about this, but it should be stressed that this loco is a very important part of our collection! Anyway, all our timetables do say that we cannot guarantee that any specific engine will be assigned to a particular train. All of our steam locomotives can be viewed in our sheds, of course.

Mrs Maria Kirkup visited the railway with her three children and her address is Flat 63b, Riverview House, West Avenue, Churchward CH9 3FT.

Task

Write the letter to Mrs Kirkup as requested. You can assume that your organisation's headed paper is used but you should include all other components of a business letter.

(Total for Question 1 = 25 marks)

2 Situation

You are employed as an Administrator in the Finance Department of *Chekun Publishers*, a company that produces a wide range of published products. The company has been quite successful and is about to expand its operation.

There are now discussions taking place as to how this expansion can be funded. The Finance Manager, Mr Adrian Zajac, approached you to investigate and report on a method of raising finance that the company has not considered previously. He said this to you:

We are looking at the usual methods of raising finance for our expansion, but I'd like to give some thought to a different method, called crowd funding. I haven't got the time to investigate this, but I would like you to do some research and produce a report on crowd funding that I can put to the Development Committee. I'm not asking you to make any recommendations at this stage, of course, but please produce a report showing where the ideas behind it originated and what it means.

Actually, I can help you, a little. Believe it or not, I used to be very enthusiastic about rock music; indeed I played in a rock band when I was a student. I do know that it is suggested that crowd funding was originated by a famous British rock band in 1997 when they needed to raise the money to pay for a tour of the United States of America. I seem to recall that £60,000 was raised. So there you are – that's a start for you.

You carried out some research about crowd funding and your file of notes is as follows.

Notes from my internet research

Crowd funding – way of raising finance by asking a large number of sources for small amounts of cash rather than traditional method of getting large amounts from small number of sources (e.g. banks).

Modern crowd funding said to have started in 1997 (NB: Mr Zajac was correct) by a rock band – but there were earlier instances that did not use the name – 1885 base of Statue of Liberty in New York paid for by subscriptions from 160,000 newspaper readers.

Four types of crowd funding –

Equity crowd funding

Debt crowd funding

Reward crowd funding

Donation crowd funding

Donation method simplest – used by charitable projects – simply a donation or gift platform – no return for donor.

From interview with Promotions Manager of another publishing company

'I can tell you something about reward crowd funding, but you might have heard of this as it seems to generate the most headlines, particularly as it is popular on social media. People are asked to provide money for a project, and they receive some sort of reward, which might not be financial. It might be a company product, or something more exciting. For example, recently a movie was made and thousands of small investors appeared as "extras" in the movie. If the project is profitable then there could be a financial reward as well, but investors usually don't donate their money for this purpose. The reward is less quantifiable, and investors do it for enjoyment, or vanity!'

From research from textbook 'Alternative sources of finance for companies'

Equity crowd funding: Close to traditional funding – investors provide sums of money in return for shares or a stake in the business – shares then have value – can generate dividends or be sold. COMPANIES MUST TAKE CARE – the more shares a company issues the more it gives up control over itself.

Debt crowd funding: (sometimes called 'peer-to-peer investments')

People decide how much they wish to invest – then they are told what the return will be – popular when interest rates are low (such as in recent years) – cash-rich investors like this method – but not without risk.

Last thoughts

The crowd funding industry has become increasingly popular in the last decade, but it has become more regulated by the various national financial regulators to avoid abuse or fraud, which were not unknown at one time. It is said that worldwide it is now a \$6 billion industry.

Task

Write the report as suggested by Mr Zajac.

(Total for Question 2 = 25 marks)

3 Situation

You are employed by a company that has been badly affected by bad debts and unpaid bills in recent years. The company recently received an invitation to attend a seminar run by a local accounting firm, *Aksoy and Partners*. You were asked to attend this event and a transcript of the keynote speech, delivered by Mr John Aksoy, appears below. Read the speech, then **answer the questions** that follow to demonstrate your understanding of the points made.

Keynote speech by John Aksoy

Good morning everyone. Let me begin by mentioning something feared by all of us, I'm sure, – bankruptcy. Now I've done some research into companies from this area that fail, and I can tell you what appears to be the most likely cause of bankruptcy. It's not entirely down to lack of sales, or failings of staff, although both of these can be factors. It's mainly due to issues with cash flow, i.e. the relationship between money coming into and going out of the company. In other words, there is usually a problem for the company to receive sufficient money to pay its bills. A major factor in this situation is the problem of bad debts. We, as an experienced accounting practice, do not claim that we can solve all bad debt problems overnight, but we can help all organisations to have a better understanding of the situation and put together a focused debt management strategy that will improve your cash flow, save you time and maximise your resources.

I should emphasise at this point that we are not a debt recovery agency. Such organisations have a value, particularly when they are able to pursue small companies or individuals to, er, 'persuade' them to pay their debts. My language is a little cautious as some of these organisations may be quite threatening to debtors and offer a range of sanctions if the debt is not paid!

Bad debt is now much more complicated than this. It can involve large, multinational companies. We can offer one of our services before your company even offers credit terms to anyone. We can conduct company credit searches to see if there are any financial issues prevalent in a business or any declining payment trends that might cause concern. This can be of great help to you before you decide on the payment terms you should expect from a business.

Once you have unpaid bills or bad debts we can use market intelligence to form a view as to whether the business that owes you cash is itself suffering from cash flow problems, or if the debt has not been paid due to a misunderstanding. We always take a diplomatic approach, of course; an apparent bad debt has often been simply a short-term issue between businesses that otherwise have a long relationship with a great deal of mutual benefit.

We do have a debt recovery service, but it is nothing like the type of intimidating service I mentioned earlier. We try to work with the company owing money to see how the debt can be addressed, such as extending the credit terms. On occasions, the debt is disputed by the company that owes the cash. We can help the business to whom the money is owed, to react accordingly through the court. Some of my colleagues are experienced lawyers.

I hope I have convinced you that you need not despair when you are faced with bad debts. I am aware that you could say my view is not entirely unbiased; after all, I am employed by a debt management organisation. All I ask is that you now take the first step – talk to us. Our common sense approach, backed by the experience of our staff,

means that we are very well placed to guide you through the process of reducing your bad debts, and improving your prospects of trading successfully.

Thank you.

Task

Answer the following questions **in your own words** as far as possible, to show you have understood the speech.

- (a) What is meant by the term 'cash flow' in relation to a business's finances? And why is a positive cash flow so important for a business? (3)
- (b) What are the full range of advantages for a business of hiring a debt management accounting firm, such as *Aksoy and Partners*, to assist with its problems of bad debts? (5)
- (c) How does the work of *Aksoy and Partners* differ from that of a debt recovery agency? (3)
- (d) Why should a company employ an agency to conduct a credit search for a business before that company makes a decision about its credit terms? (2)
- (e) How can the results of the investigations of *Aksoy and Partners* into a business that owes money assist the company to whom the money is owed to make policy decisions regarding its debtors? (2)
- (f) What does Mr Aksoy mean when he mentions that he uses a diplomatic approach when dealing with a bad debtor? And how can this be an advantage to the company to whom the money is owed? (3)
- (g) What is meant by a debt being disputed? And how can *Aksoy and Partners* assist when this is the case? (3)
- (h) What does Mr Aksoy suggest by saying his view is 'not entirely unbiased'? Why does he then suggest that companies should approach his agency? (4)

(Total for Question 3 = 25 marks)

4 Situation

You are employed in the Occupational Health Section of the Human Resources Department of a large company, *Grovebrook International*. The company has negotiated with a pharmaceutical company, *Wellbeing Partners*, to be provided with sufficient influenza vaccinations for all staff. The Human Resources Manager said this to you:

It's great that we have managed to negotiate this deal – at a very reasonable price I should say, although we'd better not tell our competitors about this! I'd like you **to send a memo to all staff** with the good news. I know you can do a great job in 'selling' the idea to everyone – some people might not be too happy to receive a vaccination, or a 'jab', but it will be beneficial to them, and us, if all our staff take advantage of the offer. Please have a word with someone from *Wellbeing Partners* to get all the information you need, and then send a memo to all staff to let them know why it is so important. Please include a slip that can be returned to you. Of course, we can't insist on everyone taking advantage of the offer, but it will be helpful to know how many staff wish to do so. It will be an advantage for us all, of course. The staff won't have to suffer the miseries of influenza and the company will lose fewer days to staff sickness. Please have a word with one of the pharmacists from *Wellbeing Partners* to get the details. I believe there are some restrictions on who should have the injection.

You talk to a pharmacist, Dr Elsa Weber, and the conversation is recorded below.

You: Thank you for agreeing to speak to me, Dr Weber. Now, can we start with a question I'm often asked. Will having a 'flu jab', as we call it, definitely prevent you from catching flu?

Dr Weber: Oh, no. We can't make this claim. But it does reduce the chance of you catching flu. As you might know, there are many different strains of flu. We have a good idea about which strain is the most common in our area so we prepare a vaccination to combat that. It is possible that someone could still catch another strain.

You: Of course, some people hate having injections. I heard someone say the other day that they would rather have flu than have an injection.

Dr Weber: This person has probably never had flu! It's much worse than just a bad cold – it can bring about fever, fatigue, dizziness, aching muscles – it really is an unpleasant experience. The injection is very simple. A short jab in your arm and it's all over. We do recommend that you let everyone have a rest for a few minutes after it, but it's usually not necessary.

You: So can everyone have the jab?

Dr Weber: Well, most people can, but not everyone. It is only for people over 18 years of age – are any of your staff below that age?

You: Yes, we have some.

Dr Weber: Right, well they will not be eligible. There's no upper age limit. In fact, it is a particular advantage for the very elderly, but you probably don't have any of these people working for you.

You: No, our staff retire at 65 at the oldest. But are there any others who should not have the injection?

Dr Weber: Yes, there are some categories of people who should not have the vaccination. In fact, we provide a leaflet to everyone about to have the injection that explains everything in detail. In short, anyone who is pregnant should avoid it, as should those who have certain allergies. And if you are receiving some types of medication, it is not recommended that you go ahead. I should say that this does not apply to many people.

You: Are there any after-effects of the vaccination?

Dr Weber: Well, there might be – but I wouldn't want to worry anyone. Your arm might be a little sore just after it, and some people get a headache. Usually you are fine.

You: Thank you very much, Dr Weber. Are there any other points you want to mention?

Dr Weber: I should have said that for anyone who has had the jab within the last six months or so, it is not necessary to have another one. It is worth saying that flu is contagious, which means sufferers can pass it on to others. It really is highly recommended that you have the flu jab and your immunity will last for a full year.

Tasks

(a) **Complete the memo** as requested. (22)

(b) **Complete the returnable slip** as requested (3)

(Total for Question 4 = 25 marks)

TOTAL FOR PAPER = 100 MARKS

BLANK PAGE

BLANK PAGE

BLANK PAGE