



**BUSINESS Vantage**

Reading

**SAMPLE TEST 2**

**Time** 1 hour

**INSTRUCTIONS TO CANDIDATES**

Do not open this question paper until you are told to do so.

**Write your name, centre number and candidate number on your answer sheet if they are not already there.**

Read the instructions for each part of the paper carefully.

Answer all the questions.

Read the instructions on the answer sheet.

Mark your answers on the answer sheet. Use a pencil.

You **must** complete the answer sheet within the time limit.

At the end of the test, hand in both this question paper and your answer sheet.

**INFORMATION FOR CANDIDATES**

There are 45 questions in this paper.

Each question carries one mark.

## PART ONE

### Questions 1 – 7

- Look at the statements below and the article about entering into a joint venture on the opposite page.
- Which section (**A**, **B**, **C** or **D**) does each statement **1 – 7** refer to?
- For each statement **1 – 7**, mark one letter (**A**, **B**, **C** or **D**) on your answer sheet.
- You will need to use some of these letters more than once.

#### Example:

**0** Both companies have benefited from cooperation.

<b>0</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 1** If companies become increasingly reliant on each other, they should have a contract.
- 2** The financial worth of a joint venture is developed gradually.
- 3** It is important to remember that joint venture contracts are not totally secure.
- 4** A company's reputation does not guarantee a full order book.
- 5** Without a proper financial arrangement a joint venture may be ended by one associate.
- 6** Different types of relationships can affect a company's ability to stay in business.
- 7** Several factors contribute to the expense of drawing up a contract.

## Entering into a joint venture

- A** Barney Collins, founder of animation studio Apix, pursued a partnership with Tony Fisher, director of production studio Girodin, when Collins' TV and film clients trimmed their budgets. Founded five years ago, Apix made a name for itself with high-quality computer-generated animation, winning several awards. But Collins struggled to keep his staff busy during quiet periods. For the last year, he's had an informal arrangement with Girodin. When one of Apix's clients requires design-oriented work, Collins brings in Girodin's team. And when a Girodin client needs 3D animation or complex special effects, Apix is the resource they always use.
- B** Collins and Fisher are now in talks to set up a New York City office together. But sharing a sales staff and office space means their companies will become more dependent on each other, increasing the need to formalise their handshake agreement and draw up a contract. 'In this economy of budget reductions, it's important to understand that a handshake should not be taken lightly; a new business relationship, even a seemingly casual one, is likely to have a considerable impact on your company's prospects as a growing concern,' says Collins.
- C** Making the terms of the joint venture agreement clear is crucial. 'With joint ventures, the value is built over time and it's important to agree how that value will be shared in case the partnership breaks down,' says Apix's legal expert Neil Scott. 'It is rare to find a joint venture where both partners benefit equally over the years. Without agreeing at the beginning how income will be divided, it is likely that one partner may ultimately feel the need to pull out of the venture – and, depending on the terms of the contract, may have the ability to do so.'
- D** A joint venture can be structured as a formal agreement. In this case, the working arrangement is detailed in a legal document that outlines the duration of the partnership and how partners will get paid, share expenses, and protect confidential information. The cost of this depends on the level of negotiation, and type of lawyer used. Keep in mind, however, that any contract can be legally challenged. Therefore, as an alternative, in situations where real franchise value is expected to be created over time, Scott recommends setting up a new legal entity.

## PART TWO

### Questions 8 – 12

- Read the article below about domain names.
- Choose the best sentence from the opposite page to fill each of the gaps.
- For each gap **8 – 12**, mark one letter (**A – G**) on your answer sheet.
- Do not use any letter more than once.
- There is an example at the beginning, **(0)**.

## Domain names

### *Monica Porter meets a man who invests in website names*

In the initial growth years of the internet James Coakes received some shrewd advice from a friend. ‘He told me the interest was going to be very big,’ he recalls, ‘and that a lot of businesses would need good domain names for their websites and there would be a market in selling these. **(0)**..... So I bought a few likely-sounding names for about £30 each.’ It was a good move. Before long, a number of other people had switched on to this upcoming investment area, and by the mid-90s, he says, the best names had all gone.

Coakes runs a corporate events company, and initially the domain names he bought related to his own industry. Then he acquired other generic business names, such as auditing.co.uk and valeting.co.uk. ‘I bought those some time ago and am still holding on to them. As a pair, they have to be worth £25,000 now.’ **(8)**..... He currently owns around 100 names and sells a few each year via a domain-name trading website, typically for about £5,000 each.

‘I’m surprised more people don’t make offers for names that are already registered. There are really good names available for very reasonable prices. Once you own the domain name, it’s an asset and I believe prices will only ever go up.’ The .com domain is the most sought-after and valuable, but good names with that suffix are getting harder to find, so new ones are constantly cropping up. **(9)**..... ‘It’s a bit too trendy,’ he explains. ‘Whereas if your site has a .com suffix, it says “we’re a serious business”.’

Coakes believes it is impossible to overestimate the value to a business of a good domain name. His own company uses teambuilding.co.uk, as it runs teambuilding events for corporate customers. ‘Nearly half our traffic comes to the site by prospective clients putting the word “teambuilding” directly into their internet browser. **(10)**..... For us it equates to half a million pounds worth of revenue each year.’

Coakes says, ‘It may be more difficult now than it was in the boom years, but you can still pick up for a few pounds a name that will probably at some future point be worth thousands. **(11)**..... You need to immerse yourself. Every day I look at domain names, keep an eye on the registers and watch for renewal dates. There are many websites for registering, buying and selling names and you have to catch out someone who has forgotten to renew a good name, or grab one fast enough from a company which has gone bust.’

Coakes believes that if he sold all his domain names today, he would make more than £1m. **(12)**..... ‘This market hasn’t yet matured. There are only a handful of people trading in it, getting into position ahead of the main wave.’

**Example:**

<b>0</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**A** But as with any other sort of investment, you can't just wander into it and make money.

**B** Choosing a domain name is a brand-awareness exercise for these companies.

**C** He estimates he has so far spent a similar figure on his domain name portfolio, including registration and annual renewal fees.

**D** But he's in no hurry to do so.

**E** This is how a lot of people locate services nowadays.

**F** One such is .biz but, according to Coakes, it hasn't really become popular.

**G** He said they'd be worth a lot of money to the right companies.

## PART THREE

### Questions 13 – 18

- Read the article below about the process of benchmarking to improve company performance and the questions on the opposite page.
- For each question **13 – 18**, mark one letter (**A, B, C or D**) on your answer sheet for the answer you choose.

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## Benchmarking at Darringtons

*Slava Taran, managing director of speciality chemical company Darringtons, describes his company's experiences of benchmarking.*

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We had been manufacturing for over 60 years when a few years ago we found ourselves facing financial pressure from increasingly heavy overheads. The management team all came up with possible solutions as to what could be done. But in the end, we agreed we needed something more concrete to guide us. I first heard about benchmarking when someone I met at a networking event mentioned his company had been involved in benchmarking. I got in touch with some business consultants, who suggested putting our company on their Benchmark Index programme. They convinced me that by comparing our performance with those of similar companies, we'd end up with a useful analysis of our current position.

We initially had to make decisions as to which kinds of companies we should be compared against. Other chemical manufacturers were an obvious choice, but we opted to benchmark against several food processing companies. That might sound strange, but in fact what we had in common was the business model of combining ingredients in a production process to create a finished product.

We sent out questionnaires to the companies we wanted to target and emphasised that the process could well be of mutual benefit. Generally, companies were positive. But we also made sure our partner companies signed up to an agreement specifying limitations on how the information we'd be sharing could be used. Otherwise there's a danger that the partner company could use the data to gain competitive advantage. We then sent our analysis to the partner companies to verify the facts and figures we'd gathered, and get their feedback on Darringtons' operation.

From the data, it soon became glaringly obvious that aspects of the business were in dire need of innovation, such as our manufacturing operation. And although we were among the best for R&D, we did badly on capital investment in equipment and premises, and also in customer satisfaction, which we were unaware of. We'd evidently worked in the same way for years without examining closely whether we were truly effective and competitive.

As a result of benchmarking analysis, we looked at ways of improving certain areas, but soon realised the capital investment needed would be huge. The alternative was to outsource production of a high percentage of our products, which would cut overheads and capital spending dramatically. We chose the outsourcing option. This enabled us to redirect resources so that we could create innovative solutions to suit our customers' needs and market them effectively. Outsourcing also resulted in more accurate profit analysis, which led us to make changes to our mix of products.

Looking back over the whole process, there are things I would have done differently. I think we should have implemented benchmarking as soon as our problems became apparent, but there was a lot of fence-sitting in the early days as people were hesitant about committing to a process they had no experience of. But people couldn't argue with the benefits that the process would undoubtedly bring and personally, I was determined not to waste time. In fact, it turned out to be the catalyst we needed for major operational and cultural change at Darringtons.

line 67

- 13 What made Slava Taran decide benchmarking was the best solution for his company?
- A the discussion he had with his management colleagues
  - B the presentation he heard at a networking event
  - C the fact that his company was making a loss
  - D the confidence of the consultants he contacted
- 14 Taran wanted Darringtons to be compared against companies that
- A manufactured similar products to Darringtons'.
  - B had also been through financial difficulties.
  - C used similar manufacturing methods to Darringtons'.
  - D represented a broad range of sectors.
- 15 Taran says that when exchanging information with partner companies, it is important to
- A restrict what they can do with the information.
  - B supply feedback to them on their operations.
  - C explain how the information will be analysed.
  - D specify what the mutual benefits will be.
- 16 What did the benchmarking analysis reveal about Darringtons?
- A It had dealt effectively with falling client satisfaction.
  - B Its manufacturing processes had not improved despite recent innovations.
  - C Its R&D department compared well with those of other companies.
  - D It had made poor decisions to invest in other companies.
- 17 What did Darringtons do after the benchmarking analysis?
- A They altered the range of products they offered.
  - B They invested heavily in up-to-date equipment.
  - C They consulted customers more as to their needs.
  - D They outsourced production of all their products.
- 18 Taran uses the expression 'fence-sitting' in line 67 to show that Darringtons had
- A worried that benchmarking would indicate some corporate failings.
  - B been reluctant to come to a decision about introducing benchmarking.
  - C wanted to come up with an alternative solution to benchmarking.
  - D made it clear they felt the benchmarking process would be a waste of time.

## PART FOUR

### Questions 19 – 33

- Read the article below about a company which has received an award for its HR record.
- Choose the best word or phrase to fill each gap from **A, B, C** or **D** on the opposite page.
- For each question **19 – 33**, mark one letter (**A, B, C** or **D**) on your answer sheet.
- There is an example at the beginning, **(0)**.

## Sectec among top 100 employers

Sectec, a major player in the Canadian security industry, has **(0)** ..... that it will appear on the list of Top 100 Employers for the fourth consecutive year. This is in **(19)** ..... of the fact that it offers employees an exceptional work environment. The annual award selects employers on the **(20)** ..... of criteria such as physical workplace, professional **(21)** ..... , health and family benefits, performance management, and **(22)** ..... in the community.

In order to be **(23)** ..... on the Top 100 list, a company is **(24)** ..... on how its business strategies and corporate culture offer staff incentives which make working for it a rewarding experience. Companies within the same industry and region with innovative programmes that attract and **(25)** ..... on to valued employees are compared, in order to select those that make a positive **(26)** ..... to offer a stimulating work environment. 'Our employees are very important to us,' states Sectec's HR manager, Susan Innings. 'We are constantly trying to **(27)** ..... new ways to show our appreciation for their hard work and commitment. We are **(28)** ..... pleased to have received this award for the fourth year in a row.'

Sectec is a global provider of world-class video surveillance to markets such as education, retail and government. With sales offices and partnerships around the world, Sectec has **(29)** ..... itself as a top company by employing a considerable level of flexibility and forward thinking in the development of its **(30)** ..... technology. Sectec's workplace culture is an **(31)** ..... of these business principles, **(32)** ..... the growth of a workforce that is **(33)** ..... to the creation of cutting-edge solutions and to exceptional customer care.



**Example:**

**0**    **A** promoted            **B** told                    **C** announced            **D** informed

<b>0</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	A	B	C	D

**19**    **A** acceptance            **B** recognition            **C** awareness            **D** response

**20**    **A** foundation            **B** occurrence            **C** aspect                    **D** basis

**21**    **A** growth                    **B** extension            **C** development            **D** gain

**22**    **A** involvement            **B** connection            **C** incorporation            **D** association

**23**    **A** laid                        **B** placed                    **C** located                    **D** positioned

**24**    **A** valued                    **B** controlled            **C** calculated            **D** evaluated

**25**    **A** keep                        **B** hold                        **C** take                        **D** stay

**26**    **A** effort                      **B** aim                        **C** point                      **D** design

**27**    **A** go ahead with            **B** come across            **C** come up with            **D** go into

**28**    **A** surely                      **B** extremely            **C** properly                    **D** absolutely

**29**    **A** established            **B** fixed                      **C** created                    **D** set

**30**    **A** core                        **B** lead                        **C** centre                      **D** head

**31**    **A** upturn                      **B** extension            **C** expansion            **D** increase

**32**    **A** advancing            **B** inciting                    **C** raising                    **D** encouraging

**33**    **A** committed            **B** attached                    **C** enthusiastic            **D** obliged

## PART FIVE

### Questions 34 – 45

- Read the text below about delegating work.
- In most of the lines **34 – 45** there is one extra word. It is either grammatically incorrect or does not fit in with the meaning of the text. Some lines, however, are correct.
- If a line is correct, write **CORRECT** on your answer sheet.
- If there is an extra word in the line, write **the extra word** in CAPITAL LETTERS on your answer sheet.
- The exercise begins with two examples, **(0)** and **(00)**.

Examples:

0 C O R R E C T

00 A B O U T

## Delegation

- 0** It is impossible for one chief executive, or even one executive committee, to perform
- 00** about all the functions and duties necessary for an organisation to operate efficiently.
- 34** It is therefore necessary to delegate certain areas of work to these subordinates.
- 35** Without this process of delegation, around the business world would effectively be
- 36** reduced to a set of individuals who working independently. In fact, delegation is one of
- 37** the major functions consisting of good management. It frees managers from
- 38** being involvement in the day-to-day aspects of running a busy department, and it
- 39** allows them to spend more time on their primary functions of managing, pursuing
- 40** to objectives and dealing with policy problems. What it does not release them
- 41** from, however, is responsibility for ensuring that the tasks which they have delegated
- 42** to others are correctly and efficiently performed. Many managers find that it difficult to
- 43** delegate. This may be because they feel their subordinates are such inexperienced, or
- 44** because they themselves feel insecure, or because they fear that they may tend
- 45** become out of touch with daily events. Yet effective management has depends on proper delegation and skilled managers recognise this.

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