Note: 1) Ignore/reword 2 mark questions
2) There are no 8 mark questions in your exam – treat as 12 markers
3) mark schemes & examiners reports on Firefly → Revision Lab

Paper 1s on back of pack

Write your name here

Surname	Other names

Pearson Edexcel
Level 3 GCE

Centre Number | Candidate Number

Business

Advanced Subsidiary
Paper 2: Managing business activities

Tuesday 24 May 2016 – Afternoon
Time: 1 hour 30 minutes

Paper Reference
8BS0/02

You do not need any other materials.

Total Marks

PAPER 2 = theme 2 here.

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*

Advice

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

Use Revision Lab to the full!

Turn over

PEARSON

Answer ALL questions.

SECTION A

Read the following Extracts (A to B) before answering Question 1.

Write your answers in the spaces provided.

Extract A

Backpack: Student sets up online homework planner business

Backpack Ltd is a small start-up company set-up in Plymouth in 2012. Alistair started the company after leaving school when he was 18 and he is the main shareholder. Alistair chose to set-up the business as a private limited company to gain limited liability.

Backpack Ltd has developed an online homework planning application, or 'app', which is suitable to run on iOS and Android mobile phones. The app replaces the traditional paper-based homework diary and allows teachers to set and track homework online.

In order to start his company, Alistair needed to raise £20 000 to develop and bring the app to market. Alistair approached his local bank for a loan, but his business plan failed to impress them and he was forced to raise venture capital instead. This required Alistair to provide outside investors with 65% of the issued shares.

(Source: adapted from http://www.backpack.ac)

Extract B

Selected information about Backpack Ltd's homework app in 2015

Fixed costs per year = £10 000

Contribution per school = £1 800

Selling price per school = £2 000

Variable costs per school = £200

(Source: interview with main shareholder in Backpack Ltd 18/4/15)

1 (a) What is meant by limited liability?

(2)

(b) What is meant by fixed costs?

(2)

(c) Using the data in Extract B, and assuming a sales volume of 20 schools in 2015, calculate Backpack Ltd's likely profit. You are advised to show your working.

(4)

(d) Using the data in Extract B, and assuming a sales volume of 20 schools in 2015, calculate Backpack Ltd's likely margin of safety. You are advised to show your working.

(4)

(e) Assess **two** advantages to a small start-up company, such as Backpack Ltd, of using venture capital.

(8)

(f) Assess the importance of a business plan, as a means to obtain finance, to a small start-up company, such as Backpack Ltd.

(10)

(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS

Turn over

SECTION B

Read the following Extracts (C to D) before answering Question 2.

Write your answers in the spaces provided.

Extract C

Selected information from SuperGroup Plc's Statement of Financial Position (2014)

	£ millions
Non-current assets	147.7
Cash and cash equivalents	86.2
Inventory	77.8
Trade and other receivables	54.3
Current liabilities	73.1
Non-current liabilities	31.7

(Source: http://www.supergroup.co.uk/investors/reports-and-publications/annual-report-2014)

Extract D

SuperGroup invests £5 million in a new UK distribution hub

SuperGroup Plc is the owner of fashion label Superdry. Superdry retails clothes aimed at 15-25 year olds. It sells premium, branded, high-fashion clothing through 338 of its own stores spread across the UK and the rest of the world.

Superdry operates in a clothing retail market that is both dynamic and highly competitive. In recent years it has expanded rapidly and now has a presence in 46 countries.

To respond to the growth in the demand for its clothes, SuperGroup Plc has invested £5 million in a new distribution hub in Burton on Trent. This has allowed the company to operate a Just in Time (JIT) stock management system.

(Source: http://annualreport2014.supergroup.co.uk/strategic-report/strategic-report)

2 (a) What is meant by current liabilities?

(2)

(b) Give **two** examples of non-current assets that a business may have on its Statement of Financial Position.

(2)

(c) Using the data in Extract C, calculate the current ratio for SuperGroup Plc in 2014.
You are advised to show your working.

(4)

(d) Explain how poor management of its working capital might affect SuperGroup Plc.

(4)

(e) Assess **two** likely effects on a company, such as SuperGroup Plc, of operating in a highly competitive retail clothing market.

(8)

(f) Assess whether a Just in Time (JIT) stock management system is likely to benefit a clothing retailer such as SuperGroup Plc.

(10)

DO NOT WRITE IN THIS AREA

(Total for Question 2 = 30 marks)

TOTAL FOR SECTION B = 30 MARKS

SECTION C

Read Extract E before answering Question 3.

Write your answer in the space provided.

Extract E

Aldi continues to expand

Sales at Aldi, the discount supermarket group, increased by 22.6% during 2014 giving it a UK market share of 3.3%. Aldi's success has come through focusing on a limited range of own-brand groceries, which are all sold at very competitive prices. Currently Aldi uses a limited range of promotional activities, for example TV advertising. It does not make use of the types of promotional activities typically used by UK supermarkets, such as loyalty schemes and buy one get one free (BOGOF).

Since the recession in 2008, Aldi has continued to open stores and now has over 600 outlets across the UK. By 2020 it plans to have more than 1 000 outlets.

The rise of Aldi has damaged other supermarkets. For example, Tesco has seen its market share fall to just 28.7%.

In 2014 the UK economy entered the recovery phase of its business cycle with economic growth of 2.6%.

(Source: adapted from http://www.economist.com/news/business/21646224-german-discounters-successful-business-model-only-stretches-so-far-tomorrow-not-quite)

With the UK economy entering the recovery phase of its business cycle, Aldi could continue to either focus on competitive prices, or increase its use of promotional methods.

3 Evaluate these **two** options and recommend which option Aldi should adopt to increase its sales revenue.

(20)

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P 4 9 8 3 3 A 0 1 5 1 6

(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

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Write your name here

Surname	Other names

Pearson Edexcel Level 3 GCE

Centre Number | Candidate Number

Business

Advanced Subsidiary
Paper 2: Managing business activities

Friday 26 May 2017 – Afternoon
Time: 1 hour 30 minutes

Paper Reference **8BS0/02**

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- You may use a calculator.

Advice

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

P49856A

Turn over ▶

Pearson

Answer ALL questions.

SECTION A

Read the following extracts (A to B) before answering Question 1.

Write your answers in the spaces provided.

Extract A

The Posh Pasty Company

The Posh Pasty Company was set up in 2013 in the popular seaside town of Fowey by TV chef James Strawbridge and his wife Holly. Capital was raised through the crowd funding website www.crowdfunder.co.uk.This enabled them to rent and equip a small factory. The Posh Pasty Company uses the highest quality local ingredients to manufacture several flavours of pasty. The pasties are sold and delivered to delicatessens and cafes across southern England.

Batch production is used in the factory to manufacture the pasties. In 2015, capacity utilisation was 92%. James and Holly regularly review the financial performance of each variety of pasty, by examining historical figures for sales revenue and total cost. This enables them to perform a variance analysis.

(Source: adapted from http://poshpasty.co/about-us/who-we-are/)

Extract B

Selected information from The Posh Pasty Company's budget, July 2015

	Steak and stout pasty (£)
Budgeted sales revenue	12 250
Actual sales revenue	14 370
Budgeted total costs	4 210
Actual total costs	5 890

(Source: interview with James Strawbridge 7/1/16)

P 4 9 8 5 6 A 0 2 2 0

1 (a) What is meant by sales revenue?

(2)

(b) What is meant by total costs?

(2)

The Posh Pasty Company's factory has a maximum output of 34,200 pasties per year.

(c) Using the data in Extract A, calculate the total number of pasties produced by The Posh Pasty Company in 2015. You are advised to show your working.

(4)

(d) Using the data in Extract B, calculate the total variance in profit for The Posh Pasty Company's steak and stout pasty for July 2015. You are advised to show your working.

(4)

(e) Assess **two** likely benefits to The Posh Pasty Company of using batch production to manufacture its pasties.

(8)

(f) Assess the importance to The Posh Pasty Company of using crowd funding as its main source of finance.

(10)

(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS

Turn over

SECTION B

Read the following extracts (C to D) before answering Question 2.

Write your answers in the spaces provided.

Extract C

Selected information from Burberry plc's 2015 statement of comprehensive income

	£m
Revenue	2 523.2
Cost of sales	(757.7)
Other operating expenses	(1 325.2)
Operating profit	440.3

(Source: adapted from http://www.burberryplc.com/documents/ar-1415/burberry_financial_statements_2014_15.pdf)

Extract D

Burberry plc proposes a new £50m factory in Leeds

Burberry plc is a luxury fashion company that produces and retails high-quality clothes, leather goods and fashion accessories. These items are sold for premium prices, with a typical Burberry trench coat selling for £1 500. From 2018, this product will be manufactured in its new Leeds factory. This factory will replace two other factories in Yorkshire and will allow Burberry plc to improve productivity, resulting in waste minimisation. Using the latest technology, the new factory will be able to increase trench coat production by 300%.

The factory will use a Just in time (JIT) stock management system and will hold limited buffer stocks of raw materials. Burberry plc also intends to improve the training of its staff so that the effectiveness of its quality management increases. Burberry plc currently uses quality assurance to ensure that its products meet customer expectations.

(Source: adapted from http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/11973538/Burberry-backs-Britain-by-opening-new-trench-coat-factory-in-Leeds.html)

2 (a) What is meant by productivity?

(2)

(b) What is meant by quality assurance?

(2)

(c) Using the data in Extract C, calculate Burberry plc's gross profit margin to 2 decimal places (2 d.p). You are advised to show your working.

(4)

(d) Explain how the use of waste minimisation in its new factory might affect Burberry plc.

(4)

(e) Assess **two** likely impacts on Burberry plc from holding limited amounts of stock in its new factory.

(8)

Turn over ▶

In November 2015, UK inflation increased to 0.1%.

(f) Assess the likely impact of this rise in inflation on Burberry plc.

(10)

(Total for Question 2 = 30 marks)

TOTAL FOR SECTION B = 30 MARKS

SECTION C

Read Extract E before answering Question 3.

Write your answer in the space provided.

Extract E

Global demand increases for McLaren Ltd's supercars

Increased demand for £1m supercars in Asia and the Middle East has allowed McLaren Ltd to generate profits of £15m in 2015, an annual increase of 223%. McLaren Ltd makes high-performance sports cars, which it sells to wealthy individuals across the world. The company is based in Woking, Surrey and produces its cars in a high-technology factory which resembles a hospital, due to the high levels of cleanliness.

Lean production methods are used in the factory and its aim is to produce the perfect car with zero defects. It is this commitment to quality and giving the customer what they want which has allowed McLaren Ltd to gain a competitive advantage in the premium sports car market.

(Source: adapted from http://www.thisismoney.co.uk/money/markets/article-3139313/Petrolheads-spare-1m-spend-helped-McLaren-Automotive-post-pre-tax-profit-hike-233-cent-15m.html)

DO NOT WRITE IN THIS AREA

To maintain its competitive advantage in the premium sports car market, McLaren Ltd could increase its use of lean production methods or make the company more market orientated.

3 Evaluate these **two** options and recommend which option McLaren should use to maintain its competitive advantage.

(20)

(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

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EDEXCEL AS KEY CALCULATIONS AND FORMULAS

Theme1

Market share = (Sales of a product or business/ Total market sales) x 100
Price elasticity of demand = % Change in quantity demanded/ % Change in price
Income elasticity of demand = % Change in quantity demanded/ % Change in income

Theme 2

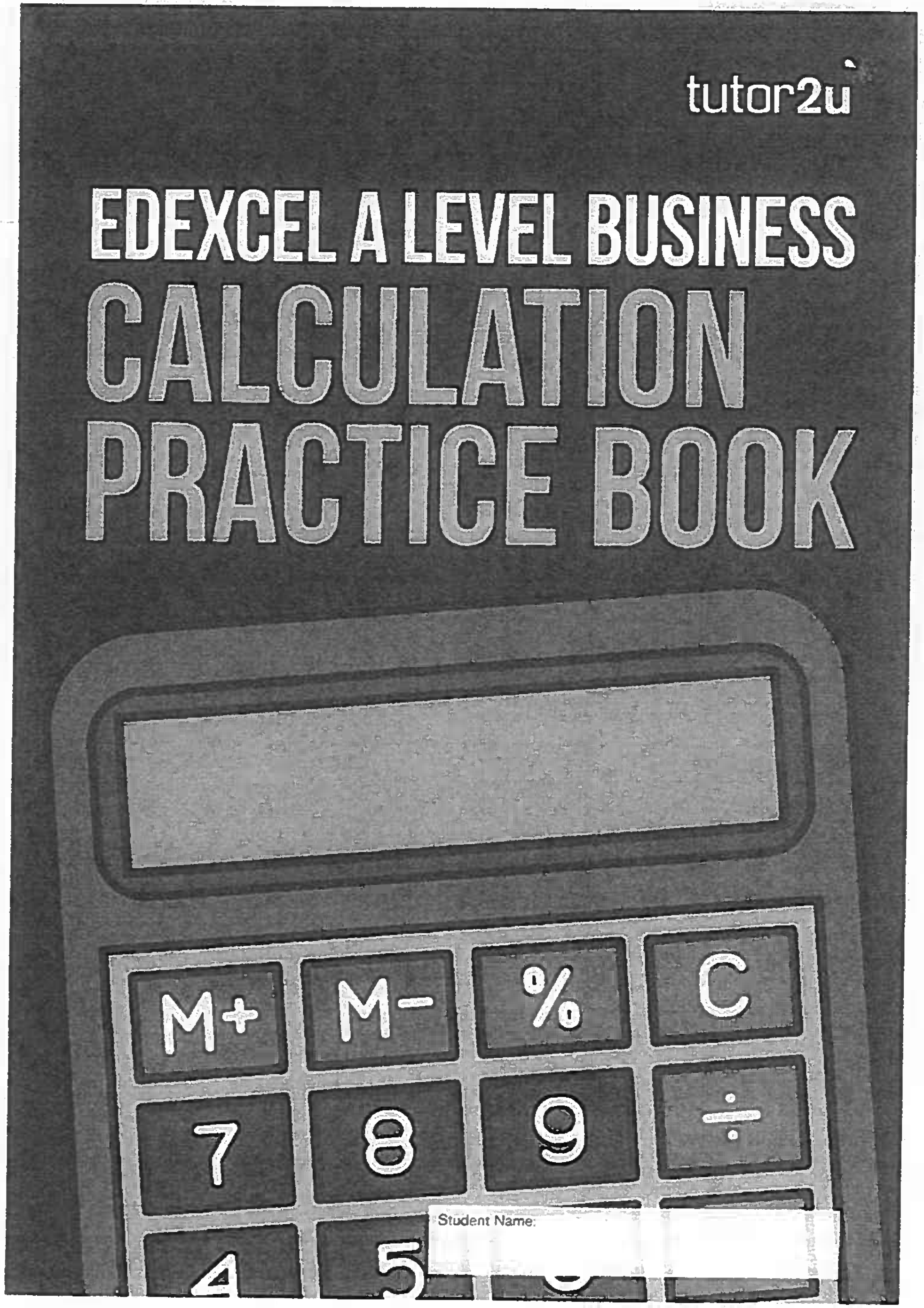
Net cash flow = Total inflows – Total outflows
Sales volume = total number of units sold over a period of time
Sales revenue = number of units sold x unit price
Total variable costs = number of units sold x variable cost per unit
Total costs = Fixed costs + variable costs
Contribution per unit = Selling price per unit – Variable cost per unit
Total contribution = Contribution per unit x Number of units sold
Break-even = Fixed costs/ Contribution per unit
Variance = Actual – Budget
Gross profit = Sales revenue minus cost of sales
Operating profit = Gross profit minus overheads
Net profit = Operating Profit +/- finance costs
Gross profit margin = (Gross profit / Sales revenue) x 100
Operating profit margin = (Operating profit/ Sales revenue) x 100
Profit for the year (net profit) margin = (Profit for the year / Sales revenue) x 100
Current ratio = Current assets/ current liabilities
Acid test ratio = (Current assets – stock) / current liabilities
Productivity (labour) = Output per period (units)/ Number of employees in that period
Capacity utilisation = (Actual level of output/ Maximum possible output) x 100

What does each sum show

Sum	What is shows	Formula	What is better?	What documents
Gross Profit margin	For every £1 of revenue the business gets in sales, how much do they **get to keep**, if factoring in direct production costs only	$\frac{\text{Gross profit £}}{\text{Revenue £}} \times 100$	Higher % the better	Income statement
Operating/net profit margin	For every £1 of revenue the business gets in sales, how much do they **get to keep**, if factoring in direct AND INDIRECT costs only	$\frac{\text{Operating profit £}}{\text{Revenue £}} \times 100$	Higher % the better	Income statement
Current Ratio	For every £1 that is due in bills in the next year, how much do they have now/coming their way to pay these bills	$\frac{\text{Current assets}}{\text{Current liabilities}}$	____ :1 Higher the better >1 good Too high criticised	Balance sheet
Acid test ratio	Same as current ratio, but WITHOUT including stock when adding up the current assets.	$\frac{\text{Current assets – stock}}{\text{Current liabilities}}$	____ :1 Higher the better >1 good Too high criticised	Balance sheet

Use Revision Lab to help you more!

See mr Hagan for answers



Contents

Remember, always show your workings

1 Market Size and Market Share

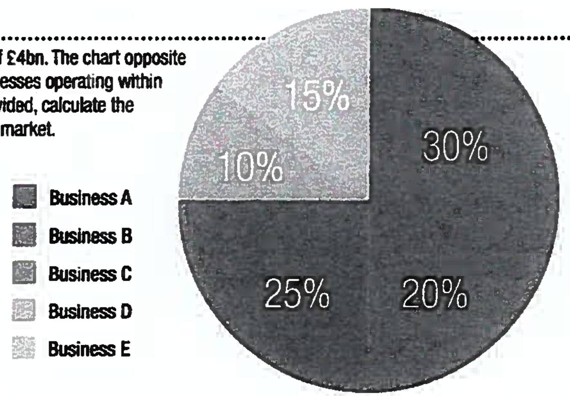
Question 1

Which of the following businesses has the lowest market share?

Business	Market Size by Value	Total Sales
A	£240m	£20m
B	£150m	£18m
C	£80m	£10m

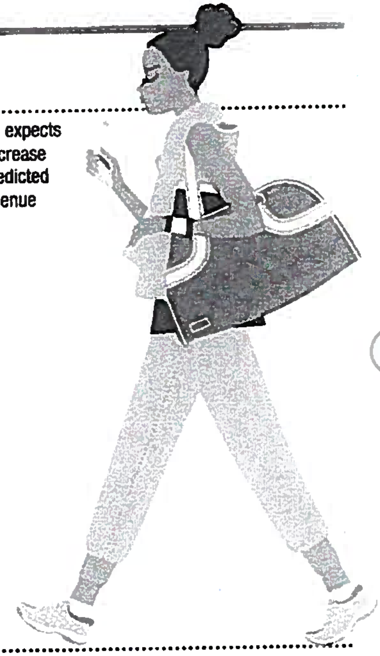
Question 2

A market has a market size by value of £4bn. The chart opposite shows the market share of the 5 businesses operating within this market. Using the information provided, calculate the sales revenue of each business in this market.



Question 3

A gym currently has 100 members. Yearly membership is £480. The gym expects the local market for gym memberships to increase, resulting in a 10% increase in memberships per year, for the next 3 years. The membership fee is predicted to remain the same during this time. Calculate the difference in sales revenue between now and in three years time.



Question 4

This year, the market size of widgets by volume is estimated to be 472,500. This would represent a 5% increase from last year. Calculate the number of widgets sold last year.

Question 5

Last year, a UK manufacturer of condiments achieved its highest sales revenue of £575.000. This represented a 7% share of the total market. Using the information provided, calculate the market size by value of condiments in the UK.

Question 6

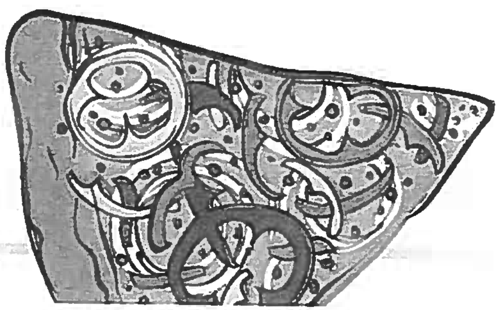
The total market value of a market in 2016 was £5bn. The market has grown, on average, by 6% per year since 2012. If this level of growth continues, calculate the market size by value in 2018.

Question 7

This year, a business estimates that its sales revenue will be £69,525, an increase of 3% from the year before. The market size by value of the market the business operates in is forecast to be £459,000 this year, which is 2% higher than last year. Calculate the market share of the business last year.

Question 8

An Italian restaurant in Weardale is considering offering a takeaway pizza service. The restaurant estimates that it will sell 2,500 pizzas a year, charging £5 per pizza. This would give the restaurant a 10% share of the local market. Calculate the size of the market by volume and value for takeaway pizzas in Weardale.

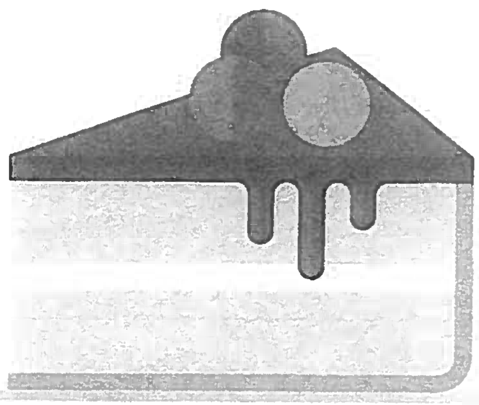


Question 9

Business A sold 150,000 units in the UK last year. It estimates that this will increase by 35% this year and that its market share will be 25%. Calculate the total size of the market by volume.

Question 10

In 2014, the size of a market by value was £4m. In 2015, it was £4.6m and in 2016 it was £5.29m. A business operating in this market estimates that in 2017, its sales revenue will be £1.52m. Calculate the market share of the business in 2017, assuming the same level of market growth that occurred between 2014 and 2016 continues in 2017.



2 Price and Income Elasticity of Demand

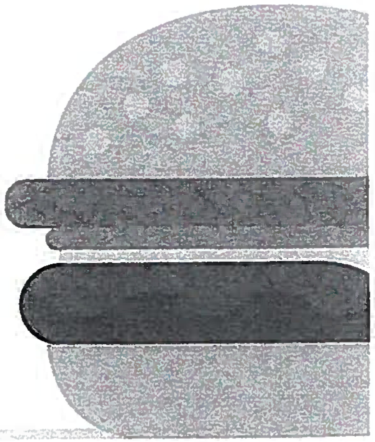
Price Elasticity of Demand

Question 1

A business sells 500 products per week and estimates that the price elasticity of demand for its products is -0.4. The business is considering increasing the price by 10%. Calculate the quantity that will be demanded after the price increase.

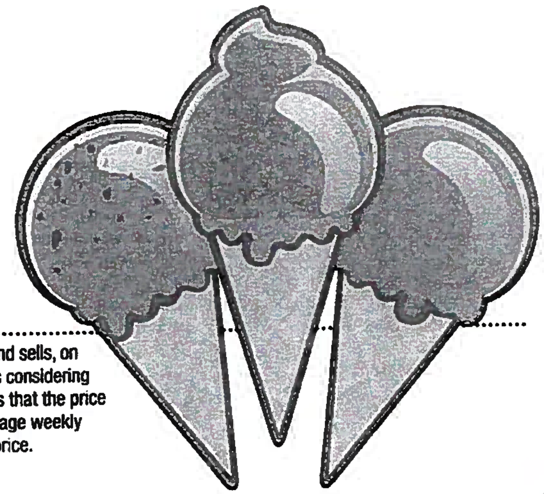
Question 2

A burger van estimates that the price elasticity of demand of its burgers is -2. The owner of the burger van is considering reducing the price of the burgers from £2 to £1.60. The burger van sells an average of 800 burgers per week. Calculate the quantity that will be demanded at the new price.



Question 3

After a business increased the price of its products from £10 to £15, weekly demand fell from 5,000 units per week to 4,000 units per week. Calculate the price elasticity of demand.



Question 4

An ice cream van charges £1 for an ice cream and sells, on average, 600 ice creams per week. The owner is considering reducing the price by 20%. The owner estimates that the price elasticity of demand is -3. Calculate the percentage weekly increase in revenue if the owner increases the price.

Question 5

Below is a table of data relating to a business. The business estimates that the price elasticity of demand of its products is -0.2 and is considering increasing the price from £50 to £60. Based on this information and the information in the table below, calculate how much extra (weekly) profit the business would make if it increased the price.

Weekly Sales	400 units
Variable Cost Per Unit	£10
Weekly Fixed Costs	£10,000

Income Elasticity of Demand

Question 1

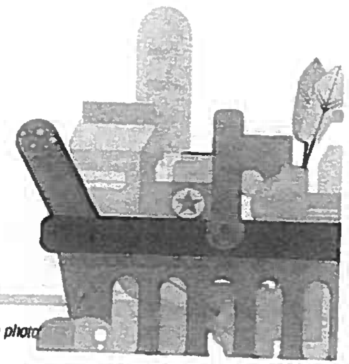
A small coffee shop sells 800 cups of coffee per month and the owner believes that the income elasticity of demand for coffee is +0.8. Demand for coffee has risen to 832 cups per month. Calculate the percentage increase in income in the local area.

Question 2

A luxury TV manufacturer saw sales increase from 5,000 units per year to 6,400 units each year, due to a 7% increase in income levels. Calculate the income elasticity of demand.

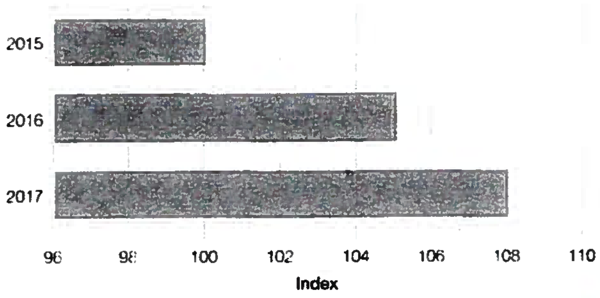
Question 3

A supermarket selling budget brands estimates that the income elasticity of demand for its products is -0.3. The supermarket sells all products for 99p and sold 25,000,000 units nationwide in 2016. The supermarket estimates that in 2017, incomes will increase nationally by 2.3%. Based on this information, calculate the expected revenue for 2017.



Question 4

Below is chart showing the index for the income of a town in North East England. It is believed that the income elasticity of demand for luxury handbags is +1.3. The base year is 2015, when 1,800 handbags were sold in the town. Using this information, and the information in the chart, calculate the number of luxury handbags sold in the town in 2016.



Question 5

A bakery, which opens Monday to Saturday, sells bread rolls for 24p and ciabattas for £1.35. The bakery estimates that the income elasticity of demand for bread rolls is +0.4 whereas the income elasticity of demand for ciabattas is +2. The local area is suffering from the closure of a large employer, resulting in a fall in the average income of 5%. The bakery currently sells 400 bread rolls and 100 ciabattas per day. Based on the fall in income, calculate the new daily demand for bread rolls and ciabattas and the difference in weekly revenue.

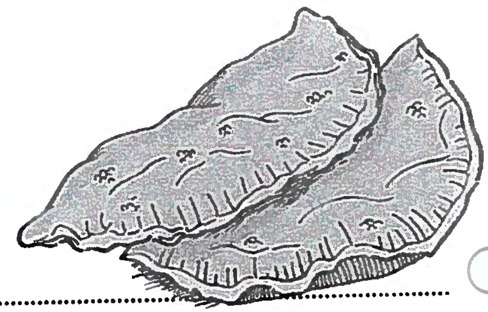
3 Cost Plus Pricing

Question 1

A table manufacturer adds a 20% mark-up to the unit cost of each table. The unit cost per table is £50. Calculate the selling price per table.

Question 2

A bakery sells its pasties for £1.20 per pasty. The unit cost per pasty is £0.75. Calculate the percentage mark-up.



Question 3

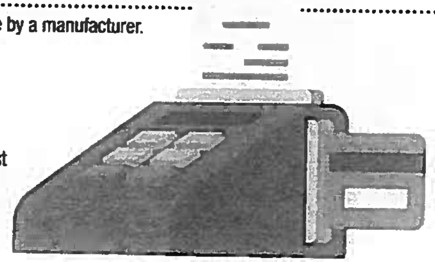
A business sells its products for £4 per unit. The unit cost per product is 4/5 of the selling price. Calculate the percentage mark-up.

Question 4

Below is a table showing the unit cost of two products made by a manufacturer.

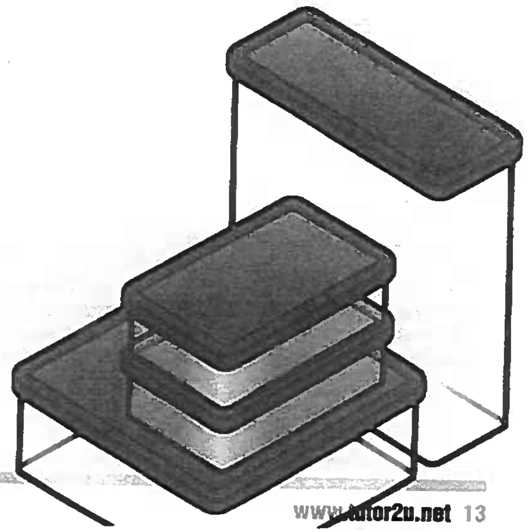
Product	Unit Cost
A	£2.20
B	£2 50

The manufacturer adds a 20% mark-up on each product. Last month, the manufacturer sold 5,000 units of product A and 3,000 units of product B. Calculate the total sales revenue from product A and product B last month.

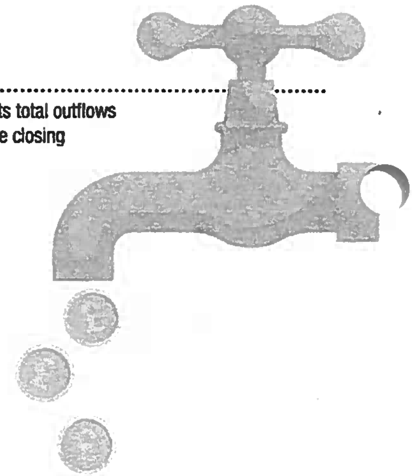


Question 5

Last month, a plastic box manufacturer sold 8,000 plastic boxes, achieving a total revenue of £40,000. The manufacturer adds a 25% mark-up to the unit cost of each plastic box. Calculate the unit cost per plastic box.



4 Cash Flow Forecasts



Question 1

A business estimates that in October, its total inflows will be £10,000 and its total outflows will be £4,000. The closing balance in September was £8,000. Calculate the closing balance for October.

Question 2

Below is a cash flow forecast for a small business. Complete the cash flow forecast by calculating the missing figures.

	January	February	March
Cash Inflows	£10,000		£13,000
Cash Outflows		£5,000	£5,500
Net Cash Flow	£6,000	£7,000	
Opening Balance	£3,000		£16,000
Closing Balance		£16,000	

Question 3

The business in question 2 now believes that in March, cash inflows will be £15,000 instead of £13,000 and cash outflows will be £7,000 instead of £5,500. Calculate the new closing balance for March.

Question 4

A newsagent estimates that between January and March, total inflows will be £15,000. 25% of the inflows will be in January, 30% in February and the remainder in March. Total outflows between January and March are estimated to be £7,000, of which 15% will be in January, 25% in February and 60% in March. The opening balance in January is £2,500. Using this information, complete the cash flow forecast below.

	January	February	March
Cash Inflows			
Cash Outflows			
Net Cash Flow			
Opening Balance			
Closing Balance			

Question 5

A small restaurant has produced the cash flow forecast shown below.

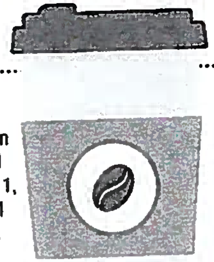
	Quarter 1	Quarter 2
Cash Inflows	£25,000	£33,000
Cash Outflows	£60,000	£21,000
Net Cash Flow	(£35,000)	£12,000
Opening Balance	£24,000	(£11,000)
Closing Balance	(£11,000)	£1,000

The owner now believes that some of the information is incorrect. The owner estimates that in quarter 1, inflows will be 25% higher and outflows will be 10% higher whereas in quarter 2, inflows will be 30% higher and outflows will be 15% higher. The opening balance remains the same. Amend the cash flow forecast based on the information given using the blank cash flow forecast below.

	Quarter 1	Quarter 2
Cash Inflows		
Cash Outflows		
Net Cash Flow		
Opening Balance		
Closing Balance		

Question 6

Opposite is a cash flow forecast for a coffee shop. The owner estimates that in quarter 2, cash inflows will be 3/5 higher than quarter 1, whereas cash outflows will increase by 3/4. Using this information, calculate the closing balance for quarter 2.



	Quarter 1	Quarter 2
Cash Inflows	£7,000	
Cash Outflows	£3,200	
Net Cash Flow	£3,800	
Opening Balance	£2,000	
Closing Balance	£5,800	

Question 7

The owners of a business are drawing up a cash flow forecast for January, February and March. They estimate that in January, revenue will be £20,000. This is expected to rise by 25% each month up to and including March. This is due to the owners spending £4,000 on marketing in January. Other costs are as follows:

- £6,250 per month on wages
- £1,050 loan repayments in February and March
- Additional costs per month equal to 15% of monthly revenue

The opening balance is £15,000. Using the information, complete the cash flow forecast below.

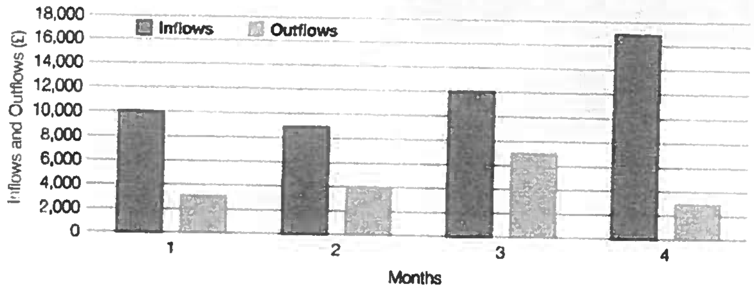
	January	February	March
Inflows			
Revenue			
Total Inflows			
Outflows			
Marketing			
Wages			
Loan Repayments			
Additional Costs			
Total Outflows			
Net Cash Flow			
Opening Balance			
Closing Balance			

Question 8

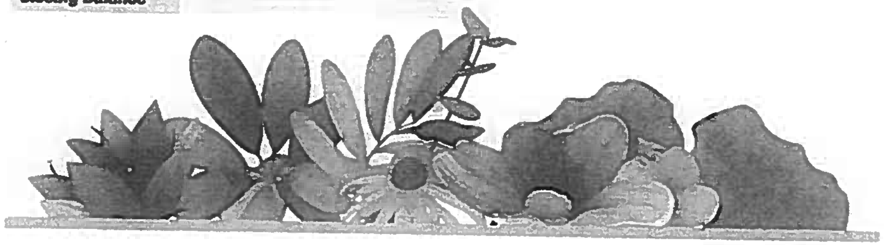
A small manufacturing business has a closing balance of £250,000. Net cash flow is 2/5 of the closing balance and total outflows are 1/4 of the net cash flow. Calculate the total cash inflow figure for the manufacturing business using the information given.

Question 9

Below is a chart showing the forecasted inflows and outflows for a flower shop. Using the information in the chart, complete the cash flow forecast. The opening balance in month 1 is £0.



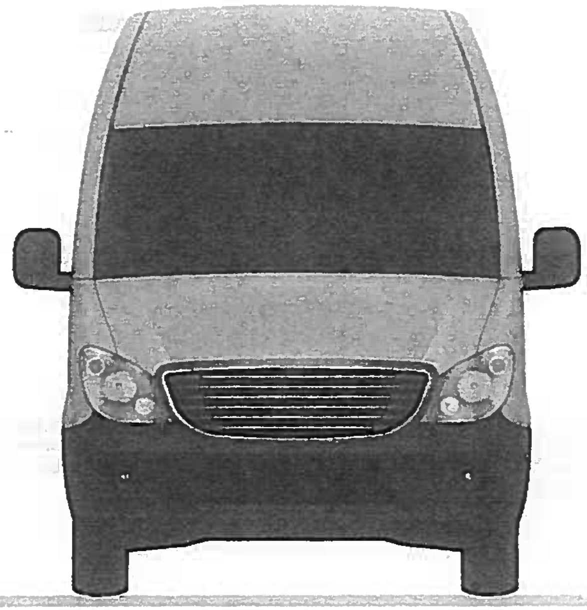
	Month 1	Month 2	Month 3	Month 4
Cash Inflows				
Cash Outflows				
Net Cash Flow				
Opening Balance				
Closing Balance				



Question 10

Next month, a garage that specialises in servicing commercial vehicles, is considering offering 50% of its customers a two month credit period for payment, as opposed to asking all its customers to pay up front. The owner of the garage has also managed to increase the time it needs to make its payments by negotiating with some of its suppliers. As of next month, 60% of the garages outflows will be payable immediately with the rest payable in one month's time. Outflows are estimated to be 2/5 of revenue each month.

The owner of the garage estimates that revenue next month will be £40,000. Calculate the total cash inflows, total cash outflows and net cash flow for next month.



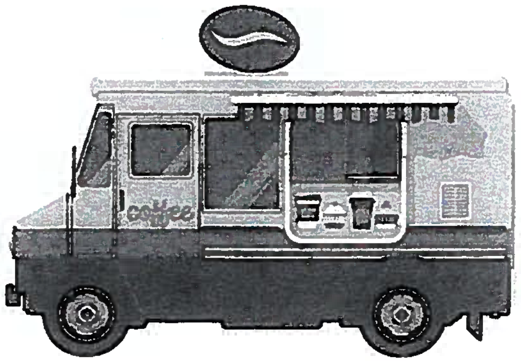
5 Sales, Revenue and Costs

Question 1

Last year, a business sold 250,000 products priced at £2.50 per product. Calculate the sales revenue of the business last year.

Question 2

A mobile coffee van charges £1.80 for a cup of coffee. Last month, the sales revenue of the coffee van was £9,000 and the total variable costs were £4,000. Calculate how many cups of coffee the van sold last month and the variable cost per cup.



Question 3

Last year, a business sold 500,000 units priced at £3.50 per unit. Variable cost per unit is £1.50. This year, the business has increased the selling price by 1/5 and the business estimates that this will result in the number of units sold falling by 12%. Calculate the estimated sales volume, sales revenue and total variable costs for this year.

Question 4

Below is a table of data relating to a business last year.

Number of units sold	150,000
Unit cost	£2.50
Percentage mark-up	10%

The business estimates that this year, it will sell 15% more units than last year and that due to an increase in supplier costs, the cost per unit will increase by 8%. Calculate the estimated sales volume and sales revenue for this year, assuming the percentage mark-up remains the same as last year.

Question 5

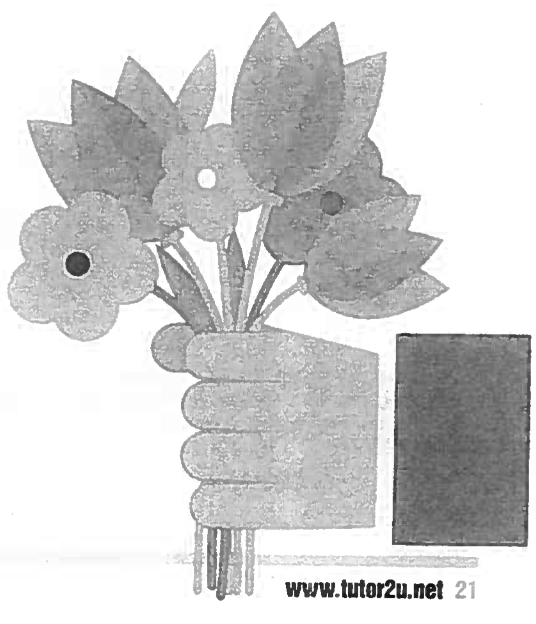
A television manufacturer sells its televisions to retailers for £120 a set. Variable costs are 2/5 of the selling price, with monthly fixed costs being £75,000. The manufacturer sells 1,400 televisions per month. Calculate the yearly profit of the business.

Question 6

A business estimates that it will make a profit of £250,000 this year. The business estimates that it will sell 150,000 units, with a selling price of £10 per unit. Variable costs per unit are 25% of the selling price. Calculate the estimated fixed costs of the business.

Question 7

Last month, a florist sold 910 bunches of flowers making a profit of £2,005. Fixed costs are £3,000 per month and the selling price of a bunch of flowers is £7.50. Calculate the variable cost of a bunch of flowers.

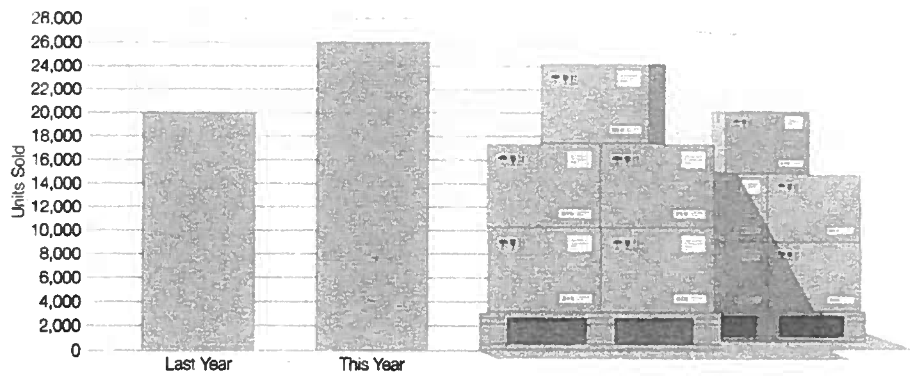


Question 8

Next year, a business estimates that it will sell 25,000 units at a selling price of £12 per unit. Variable costs per unit are 1/3 of the selling price and the business estimates that the business will make a profit of £80,000. Calculate the fixed costs of the business for next year.

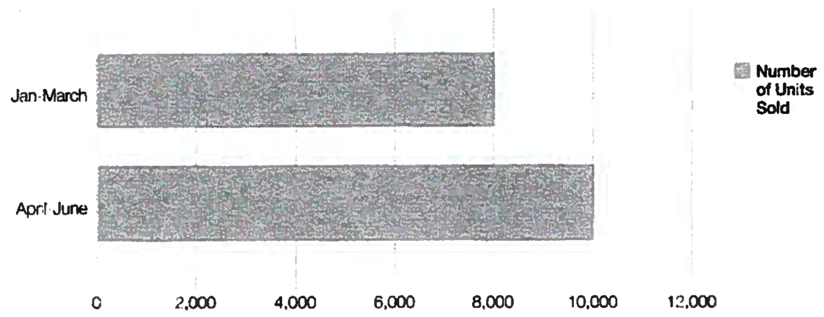
Question 9

Below is a chart showing the number of units a business sold this year and last year. The variable cost per unit has remained at £1.50 during these two years and the selling price has remained at £2.85. Fixed costs last year were £15,000 but this year, due to expansion and moving to larger premises, they increased by 15%. Calculate the percentage increase in profit between this year and last year.



Question 10

Below is a chart showing the number of units a business sold over a 6 month period. Between January and March, the selling price per unit was £15 and the variable cost per unit was £5. Due to a change in supplier, the variable cost per unit fell by 20% between April and June. Because of this, the business decided to reduce its prices by 10% during this period. Fixed costs are £60,000 per year. Based on this information, calculate the average monthly profit between January and June.



6 Break-Even

The Edexcel specification states that students only need to interpret break-even charts. However, one activity has been included that requires the construction of a break-even chart as this can deepen understanding.

Question 1

A business has an average selling price of £2.50. Variable cost per unit is 1/5 of the selling price and last month the business sold 20,000 units. Calculate the total contribution for last month.

Question 2

Opposite is a table of data relating to a fast food restaurant. The restaurant is considering increasing its average selling price by £0.20. The owner believes that this will result in demand falling by 2%. Based on this information, calculate the difference in total monthly contribution before and after the proposed price rise.

Average Selling Price	£3.00
Variable Cost Per Unit	£1.20
Monthly Units Sold	24,000

Question 3

A cupcake business pays £50 for a stand at a local market on a Saturday. The selling price per cupcake is £2.50 and the variable cost per cupcake is £1.25. Calculate the break-even point.

Question 4

Last year, a business had weekly fixed costs of £5,000. Selling price per unit was £150 and the variable cost per unit was £20. The number of units sold yearly was 6,000. Calculate the yearly margin of safety of the business.

Question 5

A business has fixed costs of £6,000 per month. The selling price per unit is £4 and the variable cost per unit is £0.80. The business is considering moving to larger premises which will result in fixed costs increasing by 4%. The business sells 5,000 units per month. Calculate the difference in the monthly margin of safety before and after the proposed move.

Question 6

An entrepreneur is assessing the viability of opening a new sandwich takeaway business and wishes to calculate the weekly break-even point. He estimates that his fixed costs will be £600 per week. The average selling price of each sandwich will be £4 and his variable cost per unit will equal 50% of the selling price. He anticipates that he will sell 200 sandwiches per day and the business will be open 6 days a week.

6.1 Using this information, complete the table below and construct a weekly break-even chart for the sandwich takeaway business.

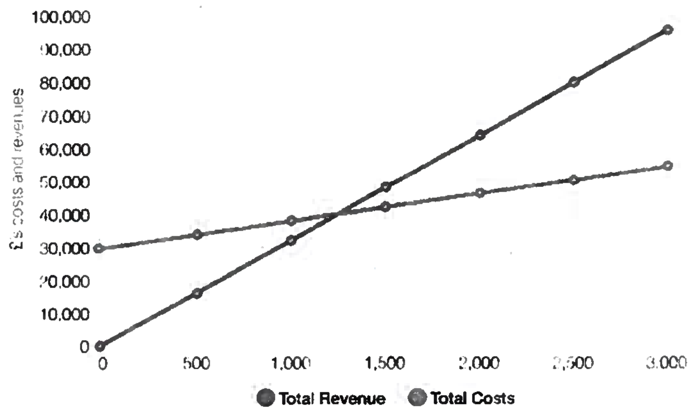
Units	Total Revenue	Variable Costs	Fixed Costs	Total Costs
0				
200				
400				
600				
800				
1,000				
1,200				

6.2 Using the break-even chart, state the weekly break-even point of the business.

6.3 Calculate the weekly margin of safety, if the entrepreneurs predictions for the week are correct.

Question 7

Below is a break-even chart for an established retailing business.



7.1 Using the break-even chart, calculate the total contribution at 2,500 units.

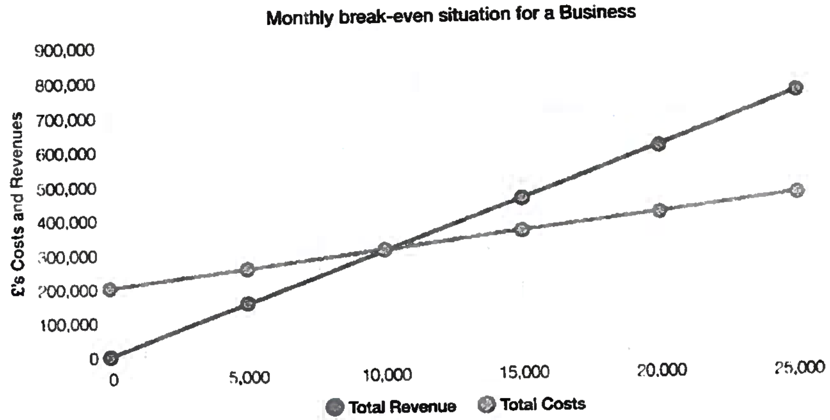
7.2 Using the break-even chart, calculate the variable cost per unit.

7.3 Using the break-even chart, calculate the profit or loss made at 3,000 units.

Question 8

The monthly break-even situation for a business is shown in the chart below. Due to changes in market conditions, the variable cost per unit of the business is expected to rise by 50%. As a result, the business is now planning to increase its selling price, to ensure it can still maintain the same contribution per unit on each item sold.

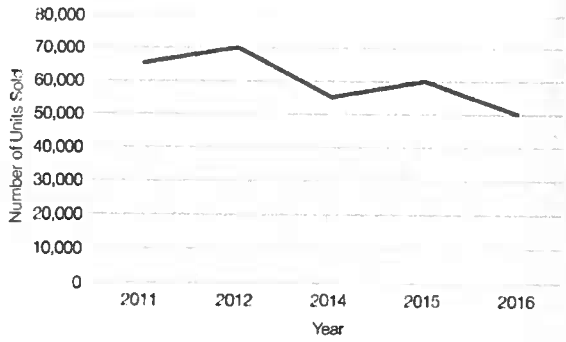
8.1 Amend the break-even chart below, to show both the new total revenue line and the new total cost line after the increases to these two variables. Label the new revenue line TR2 and the new total cost line TC2.



8.2 Using the break-even chart, state the difference between the new and original break-even points.

Question 9

Below is a chart which shows the number of units sold by a medium sized business over the last 5 years. In 2016, the business achieved a total contribution of £150,000. The selling price per unit is £5. Based on this information and using the chart below, calculate the variable cost per unit for 2016.



Question 10

Below is a table of data relating to a sweet manufacturer. The sweets are packaged in cardboard tubes, which account for 10p of the variable costs. The business is looking to change supplier, which will reduce the cost of the packaging by 50%. Based on this information, calculate the difference in break-even before and after the proposed change in supplier.

Yearly Fixed Costs	£18,000
Variable Costs	£0.80
Selling price (to retailer)	£1.20

7 Budgets

Question 1

Last year, a business had a profit budget of £450,000. This year its profit budget is 5% higher. Calculate the profit budget of the business for this year.

Question 2

Due to a reduction in costs, a retail business estimates that its expenditure budget this year will be 2% lower than its expenditure budget last year, which was £250,000. Calculate its expenditure budget for this year.

Question 3

In December, a newsagent set a revenue budget of £25,000. Its expenditure budget for December was 1/5 lower than the revenue budget. Calculate the expenditure budget for the newsagent in December.

Question 4

In January, the same newsagent had a revenue budget that was 15% higher than the revenue budget set for December. The expenditure budget was also 2/5 higher than the expenditure budget for December. Using this information and your answer to question 3, calculate the profit budget for the newsagent in January.

Question 5

Below is a revenue, expenditure and profit budget for a restaurant in July and August.

	July		August	
	Budget	Actual	Budget	Actual
Revenue				
Food	5,000	5,500	5,250	5,800
Drink	1,500	1,750	1,800	1,900
Total Revenue	6,500	7,250	7,050	7,700
Expenditure				
Stock	1,000	1,100	1,150	1,250
Wages	800	900	900	1,000
Other costs	100	90	110	120
Total Expenditure	1,900	2,090	2,160	2,370
Profit/ Loss	4,600	5,160	4,890	5,330

After analysing the actual revenue and expenditure in August, the owner of the restaurant estimates that in September, revenue from both food and drink will increase by 6%. Expenditure on stock will reduce by 2% due to a change in supplier. All other costs will remain in line with the actual spend for August. Based on this information, calculate the profit/ loss budget for September.

Question 6

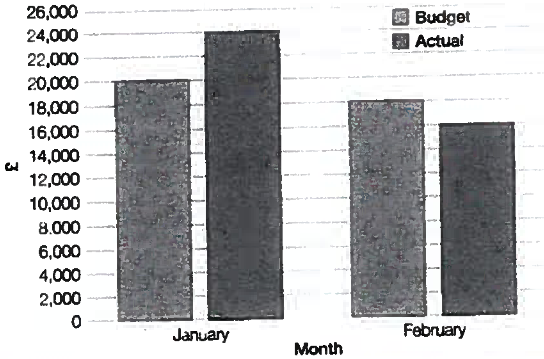
Last year, a manufacturer set a profit budget of £850,000. Its actual profit was £730,000. Calculate the profit variance stating whether it is adverse or favourable.

Question 7

In January, a business set a revenue budget of £325,000. Actual revenue was £50,000 lower than budget. The expenditure budget of the business in January was £210,000. Actual expenditure was 8% higher than budget. Calculate the profit variance of the business for January, stating whether it is adverse or favourable.

Question 8

Below is a chart showing the profit budget and actual profit for a designer clothes store in January and February.

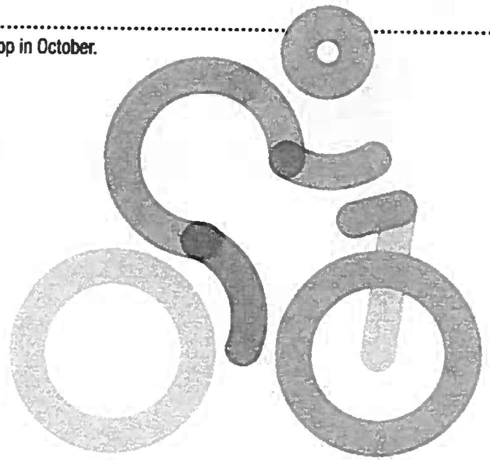


Calculate the total (combined) profit variance for January and February stating whether it is adverse or favourable.

Question 9

Below is an extract from the budget of a cycling shop in October.

	October	
	Budget	Actual
Revenue		
Store Revenue	£22,000	
Online Revenue	£6,000	
Total Revenue		
Expenditure		
Wages	£8,000	
Stock	£6,000	
Other costs	£2,000	
Total Expenditure		

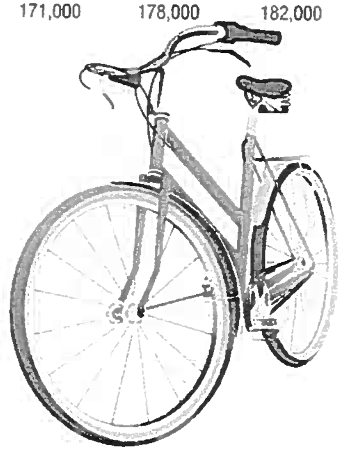


Store revenue was actually 5% higher than budget, whereas online revenue was 4/5 of the amount that had been budgeted. Wages were £500 higher than budget, whereas stock was 2% lower than budget. Other costs (actual) were £2,100. Complete the table and calculate the profit variance for October stating whether it was adverse or favourable.

Question 10

Below shows the budgeted and actual revenue and expenditure for a business in March, April and May. Calculate the total (combined) profit variance for March, April and May, stating whether it is adverse or favourable.

	March		April		May	
	Budget £	Actual £	Budget £	Actual £	Budget £	Actual £
Total Revenue	175,000	184,000	182,000	190,000	205,000	208,000
Total Expenditure	162,000	170,000	171,000	178,000	182,000	181,000



8 Profit

Note: Profit for the year and profit for the year margin are also known as net profit and net profit margin.

Question 1

Last year, a business had sales revenue of £3.25m. The table below shows its profitability margins. Calculate last year's gross profit, operating profit and profit for the year.

	%
Gross profit margin	54
Operating profit margin	12
Profit for the year margin	4.5

Question 2

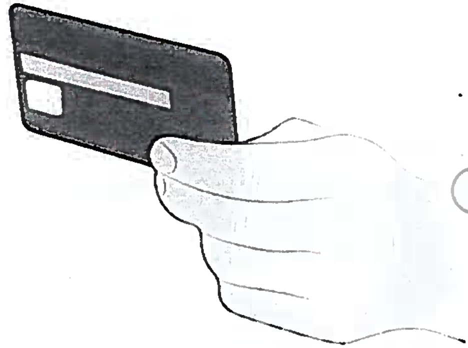
The table below shows the profit figures for a business after a year of trading. Calculate the gross profit margin, operating profit margin and profit for the year margin.

	£
Sales revenue	450,000
Gross profit	85,000
Operating profit	28,000
Profit for the year	15,400

Question 3

Last year, a retailer had the following revenue and cost data (shown in the table below). Calculate the gross profit, operating profit and profit for the year figures and margins of the business.

	£
Revenue	1,255,000
Cost of sales	480,000
Operating expenses	350,000
Interest	85,500



Question 4

The following year, the same retailer had the following changes to its costs and revenue figures. These are shown in the table below. Calculate the gross profit, operating profit and profit for the year figures and the margins for the following year of the business.

	Last Year	Following Year
	£	% change
Revenue	1,255,000	15% increase
Cost of sales	480,000	22% increase
Operating expenses	350,000	5% increase
Interest	85,500	8% increase

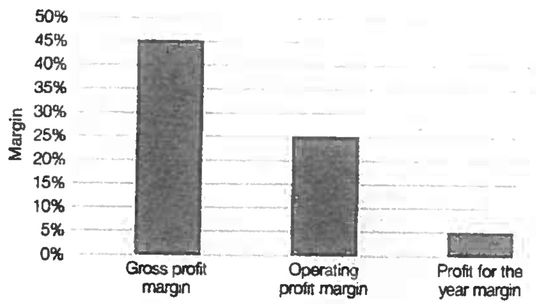
Question 5

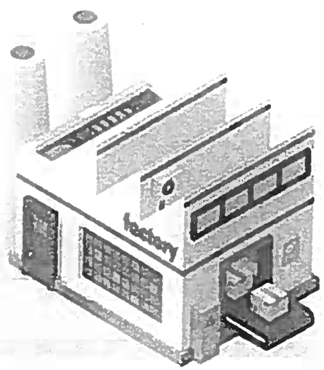
A business has 3 different product lines, A, B and C. Last year, the business had operating expenses of £500,000 and interest of £72,000. Using the revenue and gross profit margins from the table below, calculate the overall operating profit margin and profit for the year margin for last year.

	Revenue	Gross Profit Margin
Product A	£140,000	45%
Product B	£360,000	38%
Product C	£780,500	52%

Question 6

A large manufacturer with sales revenue of £10.6m had the following profit margins for last year. Using the data from the chart, calculate the gross profit, operating profit and profit for the year.



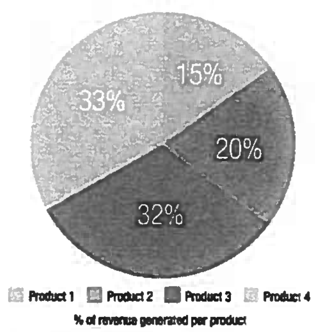


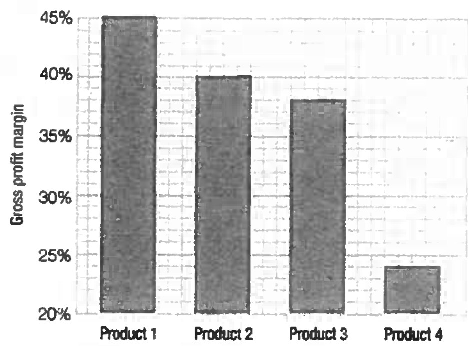
Question 7

The following year, the same manufacturer had an increase in sales revenue of 11%. Its gross profit figure increased by 5%, its operating profit increased by 4%, but its profit for the year figure decreased by 2%, due to a significant increase in finance costs. Using the data from question 6, calculate the gross, operating profit and profit for the year margins for the following year.

Question 8

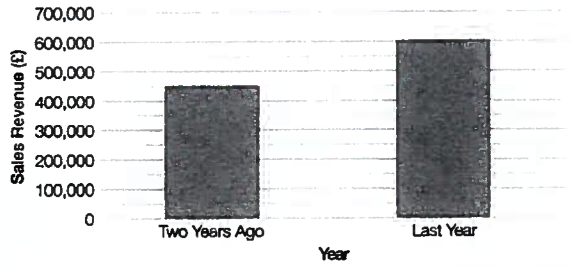
A business with four product lines, 1, 2, 3 and 4, has operating expenses of £450,000 and revenue of £2.8m. The amount of revenue generated by each product is detailed in the pie chart below and its respective gross profit margins are detailed in the bar chart. Using the data in both charts, calculate the overall gross profit margin for the firm and the operating profit margin.





Question 9

The sales revenue of a business for the last two years is shown on the chart below. Last year, the operating profit margin of the business was 12% and two years ago the operating profit margin was 8%. Calculate the profit for the year margin for both years, assuming interest accounted for 5% of operating profit.



Question 10

This year, the business in question 9 is estimating a 15% increase in revenue and operating profit of £52,400. Assuming 5% of operating profit for interest, calculate the operating profit margin and profit for the year margin for this year.

9 Liquidity

Question 1

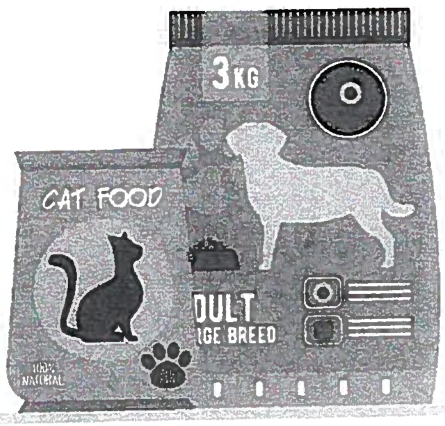
A business has current assets of £200,000 and current liabilities of £160,000. Calculate the current ratio of the business.

Question 2

The table below shows an extract from the company accounts of a business.

Inventory	£300,000
Receivables	£100,000
Cash	£200,000
Payables	£160,000
Bank overdraft	£240,000

Calculate the current ratio and the acid test ratio of the business.



Question 3

A business has a current ratio of 1.8:1. Its current liabilities are £2 million. Calculate the current assets of the business.

Question 4

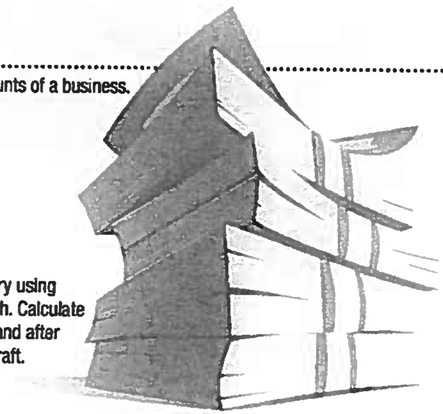
A business has £500,000 of inventory, £100,000 of receivables and £200,000 cash. The current liabilities of the business are 20% lower than the current assets. Calculate the current ratio and acid test ratio of the business.

Question 5

The table below shows an extract from the company accounts of a business.

Inventory	£200,000
Receivables	£50,000
Cash	£100,000
Payables	£150,000
Bank overdraft	£50,000

The business has decided to purchase £20,000 of inventory using cash as well as clearing the bank overdraft, also using cash. Calculate the current ratio and acid test ratio of the business before and after the purchase of the inventory and the clearing of the overdraft.



10 Capacity Utilisation

Question 1

A business currently has the capacity to produce 50,000 units per week. The business is looking at increasing its capacity by 8%. Calculate the new capacity based on the 8% increase.

Question 2

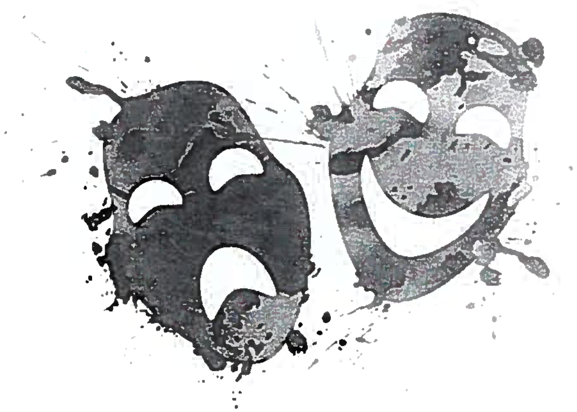
This year, a factory has the capacity to produce 441,000 units. Last year, the business's capacity was 5% lower. Calculate the total capacity of the firm last year.

Question 3

A business is currently producing 17,000 units per week. It has the capacity to produce 25,000 units per week. Calculate the capacity utilisation of the business.

Question 4

Last Saturday night, 476 people watched a play at a theatre. The capacity utilisation was 85%. Calculate the total capacity of the theatre.

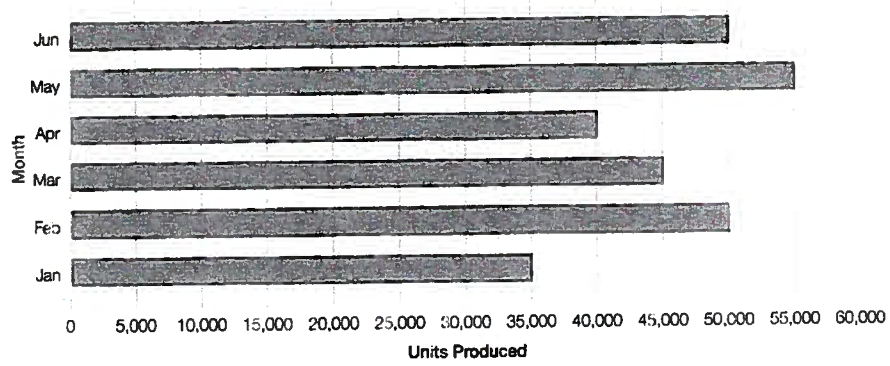


Question 5

A daily newspaper has the capacity to publish 10 million newspapers a year. Last year, daily sales of the newspaper were 24,000 and all papers produced were sold. The newspaper is available 5 days per week, 50 weeks of the year. Calculate the newpaper's capacity utilisation for last year.

Question 6

Below is a chart that shows how many units a business produced between January and June. The business has the capacity to produce 100,000 units per month. Calculate the average capacity utilisation between January and June.



Question 7

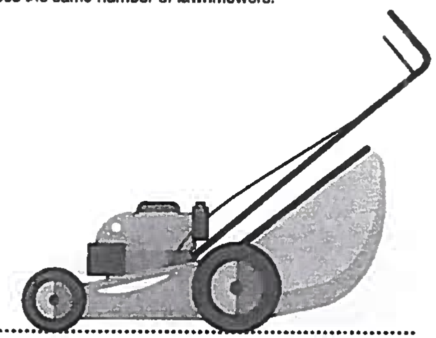
Last season, a football club had an average attendance of 42,750 people per match, a capacity utilisation of 95%. The club is considering extending the ground which will increase total capacity by 20%. Calculate the total increase in capacity after the proposed expansion.

Question 8

A local cinema has 3 screens of equal size. The average capacity utilisation is 60% across the three screens which equates to 450 customers. To increase capacity utilisation, the cinema is considering reducing the number of screens from three to two. Calculate the new capacity utlisation of the cinema, based on on the planned reduction of screens and assuming the number of customers remains the same.

Question 9

A lawnmower manufacturer has a capacity utilisation of 75%. It is looking at increasing its capacity by 10%. Calculate the new capacity utilisation assuming the manufacturer produces the same number of lawnmowers.

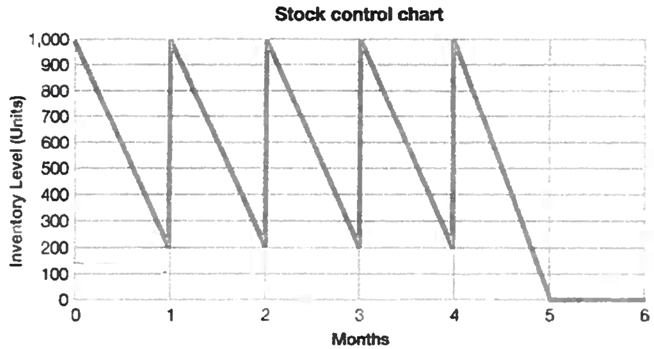


Question 10

A manufacturer is currently operating at 95% capacity utilisation, producing 237,500 units per year. The manufacturer has just secured a new contract to produce a further 100,000 units next year, and is therefore moving to a new factory with a bigger capacity. The new factory has the capacity to produce 7/8 more units than the current factory. Calculate the capacity utilisation for the business next year.

11 Stock Control

Below is a stock control chart for one component that a small manufacturing company uses in its manufacturing process.



Question 1

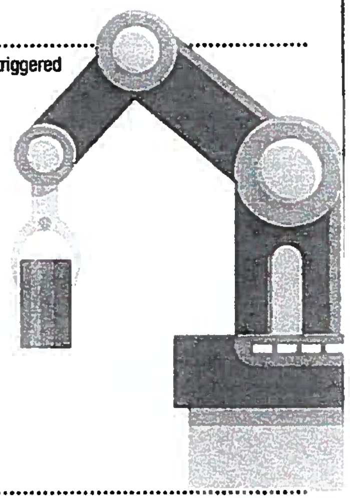
Calculate the average daily usage of this component during months 1-5 inclusive, assuming there are 30 days in each month.

Question 2

What is the normal level of buffer inventory held by the business?

Question 3

For month 1 only, calculate the re-order level of the component, if an order is triggered after 40% of the total firm's inventory holding has been used in that month.



Question 4

Calculate the normal lead time for delivery of the component.

Question 5

Due to a supplier problem during month 5, the manufacturer needs to increase production in month 6 and therefore requires an additional 75% extra volume of this component to be delivered in addition to the usual delivery. Calculate the required re-order quantity of the component the business needs to receive in month 6, to meet the increased level of demand and return the business to hold the normal level of buffer inventory.

12 Quantitative Sales Forecasting

Question 1

Below is a table of data showing the yearly sales revenue of a business.
Using the data in the table, calculate a three-year moving average.

Year	Sales (£000)	Three-year moving total (£000)	Three-year moving average (£000)
2009	700		
2010	1,100		
2011	1,000		
2012	1,200		
2013	1,400		
2014	1,300		
2015	1,800		
2016	2,000		

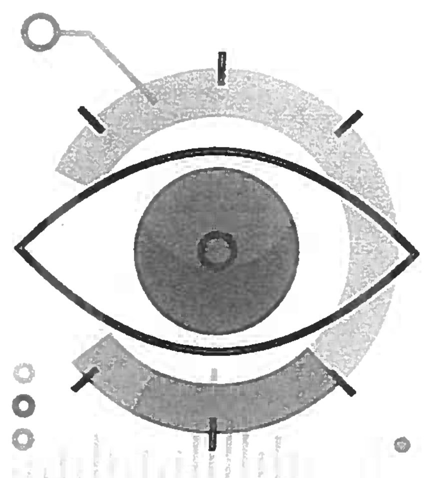
Question 2

Calculate the cyclical variation for 2011 and 2015.

Question 3

Below is a table of data showing the yearly sales revenue of a business. Using the data in the table, calculate a three-year moving average, the cyclical variation for each year and the average cyclical variation.

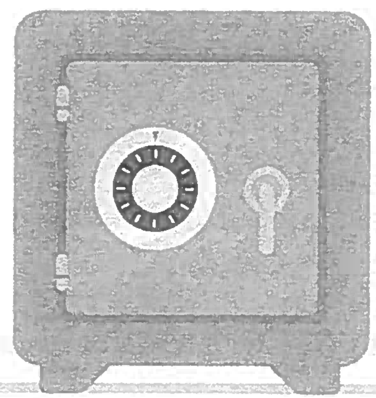
Year	Sales (£000)	Three-year moving total (£000)	Three-year moving average (£000)	Variation (£000)
2007	225			
2008	240			
2009	240			
2010	360			
2011	240			
2012	340			
2013	330			
2014	380			
2015	280			
2016	420			



Question 4

Below is a table of data showing the quarterly sales of a business. Using the data in the table, calculate a four-quarter moving average.

Year	Quarter	Sales (units)	Four-quarter moving total (units)	Eight-quarter moving total (units)	Four-quarter moving average (units)
2013	3	8,000			
	4	9,000			
2014	1	11,000			
	2	12,000			
	3	9,000			
	4	10,000			
2015	1	13,000			
	2	15,000			
	3	11,000			
	4	12,000			
2016	1	16,000			
	2	18,000			



Write your name here

Surname	Other names

Pearson Edexcel Level 3 GCE

Centre Number	Candidate Number

Business

Advanced Subsidiary
Paper 1: Marketing and People

Thursday 19 May 2016 – Afternoon
Time: 1 hour 30 minutes

Paper Reference **8BS0/01**

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*

Advice

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

Turn over ▶

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Answer ALL questions.

SECTION A

Read Extract A before answering Question 1.

Write your answers in the spaces provided.

Extract A

Aston Martin set for shake-up and targets new buyers

Andy Palmer joined UK-based premium priced car manufacturer Aston Martin as Chief Executive to implement a new marketing strategy targeting younger buyers and women.

At the Geneva Motor Show he announced that he wants the car maker to rebuild its range of sports cars as well as add two new cars to the product portfolio in order to target this new market.

"As an industry, we're pretty poor at ticking the boxes that satisfy women customers, we tend to view cars for women as 'pink it and shrink it' – add a place to hold your handbag – which I think is quite cynical."

"You have to start with a type of beauty and then imagine how you make that more affordable to a younger generation and appealing to female customers" he added.

A more feminine Aston Martin would probably have a higher driver's seat and greater durability, more like a 4 x 4 vehicle. This will put the company in the competitive, fast-growing segment of premium priced cars, alongside Jaguar who focus on dramatic design and performance. Bentley's handcrafted, powerful, luxury cars and Rolls-Royce cars remain the choice for the super-rich.

(Source: adapted from www.ft.com/cms/s/0/1acf27c6-bdcf-11e4-9d09-00144feab7de.html#axzz3Zqnp9lQb)

P 4 9 8 3 4 A 0 2 1 6

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1 (a) What is meant by a marketing strategy?

(2)

(b) What is meant by product portfolio?

(2)

(c) Explain how Aston Martin uses differentiation in the premium car market.

(4)

(d) Explain how Aston Martin could use the design mix to appeal to the new target market.

(4)

(e) Assess **two** non-price factors that might affect the demand for premium priced cars in the UK.

(8)

The Chief Executive has reorganised management by taking out a level of the hierarchy in Aston Martin's organisational structure.

(f) Assess the likely impact of this change on the motivation of the workforce.

(10)

(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS

SECTION B

Read Extract B before answering Question 2.

Write your answers in the spaces provided.

Extract B

Approved Food

Entrepreneur Dan Cluderay, started his business, Approved Food, on a market stall and it has now expanded to be the largest online retailer of food and drinks that are near their use-by date.

In 2013 Approved Food's turnover reached £4 million and its 50 employees were shipping out more than 2 000 orders each week from its 60 000 sq ft warehouse in Sheffield. Dan's business objective is to save shoppers 60–70% on each order.

The rise of Approved Food coincides with a growing awareness that our obsession with use-by dates is resulting in more than a million tonnes of food waste a year.

This week, a government advisory body called the Waste & Resources Action Programme (WRAP), reported that supermarkets were being "overly cautious" with their use-by labelling.

It estimated that shoppers could save £600 million a year – about £25 per household – if they were given an extra day to eat products such as fruit, vegetables and fresh meat.

Approved Food does not sell chilled or frozen goods, it only sells packaged products such as rice, chocolate, crisps and toiletries.

(Source: adapted from www.express.co.uk/life-style/life/561869/Approved-Food-Dan-Cluderay-fortune-selling-food-past-best-before-date)

2 (a) What is meant by entrepreneur?

(2)

(b) What is meant by business objective?

(2)

The Office for National Statistics stated that incomes fell by 2.2% in 2014.

(c) Using the data in Extract B, calculate the income elasticity of demand for Approved Food, following an increase in weekly orders to 3,500 in 2014. You are advised to show your working.

(4)

(d) Explain how a business, such as Approved Food, might use income elasticity of demand data.

(4)

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(e) Assess **two** ways social trends might affect the channels of distribution for a business such as Approved Food.

(8)

(f) Assess the importance of profit maximisation to a business such as Approved Food.

(10)

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(Total for Question 2 = 30 marks)

TOTAL FOR SECTION B = 30 MARKS

SECTION C

Read Extract C before answering Question 3.

Write your answer in the space provided.

Extract C

About Us – The story of Bunches

Bunches, a family business founded in 1989, was originally a small flower stall in Mansfield, Nottinghamshire. The owner discovered that you could put flowers into boxes and despatch them nationwide to customers, using the Royal Mail to deliver. Bunches changed to a 'flowers by post' company in 1990. Orders were taken over the Post Office counter and then telephoned through to the Bunches office. In 1992 Bunches expanded to all Post Offices nationwide.

By 2001 Bunches had outgrown its factory and moved into purpose-built premises with modern sales, production and despatch facilities. Recently, they have just completed a £1 million extension, doubling the size of production floor space and adding new offices.

Bunches have now delivered over 5.5 million bouquets throughout the UK and has an extensive online presence.

(Source: adapted from https://www.bunches.co.uk/aboutus)

As a basis for further expansion, Bunches could increase distribution either through the Post Office or through online sales.

3 Evaluate these **two** options and recommend which option would be the most profitable for Bunches.

(20)

Turn over

(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS

TOTAL FOR PAPER = 80 MARKS

Write your name here

Surname	Other names

Pearson Edexcel Level 3 GCE

Centre Number	Candidate Number

Business

Advanced Subsidiary
Paper 1: Marketing and People

Thursday 18 May 2017 – Afternoon
Time: 1 hour 30 minutes

Paper Reference **8BS0/01**

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided *– there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets *– use this as a guide as to how much time to spend on each question.*
- You may use a calculator.

Advice

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

Turn over ►

P49836A

Pearson

Answer ALL questions.

SECTION A

Read Extract A before answering Question 1.

Write your answers in the spaces provided.

Extract A

Marks & Spencer's (M&S) plan to revive its brand

High street brand M&S has long been a sign of British quality and tradition. It provides a range of food, clothing and homeware, but over the past two years the business has struggled to maintain its iconic status.

New chief executive, Steve Rowe, is reviewing the future of its range of fashion brands as part of an overhaul of its struggling clothing business. "Our priority is fixing clothing" said Rowe, womenswear seems to be the problem area. M&S has lost touch with what the 50+ age group really want and also needs to attract younger customers, such as those at the top end of NEXT's demographic of 25 to 45-year-olds.

Rowe acknowledged that some of its clothing needs to be more competitively priced. M&S sold 30,000 pairs of black jeggings - a 200% increase - after cutting the price by £2 to £17.50.

M&S's food business is still very strong. Shoppers are more than happy to buy at M&S, but they need to see non-food merchandise they like as well. Shoppers are much choosier these days, meaning M&S needs to become more market orientated.

(Sources: adapted from Marks & Spencer Results: A Tale Of Two Halves © 2016 Mintel Group Ltd and New M&S boss brands latest clothing sales fall 'unsatisfactory' © 2016 Guardian News and Media Limited)

1 (a) What is meant by competitive pricing?

(2)

(b) What is meant by market orientation?

(2)

(c) Explain how M&S could build its clothing brand.

(4)

(d) Construct a market map to illustrate the impact of M&S's decision to aim its clothing range at a younger target market.

(4)

(e) Assess **two** factors that could influence the price elasticity of demand for M&S's clothing range.

(8)

(f) Assess whether there is likely to be a trade-off for M&S when it targets a younger market segment for its women's clothes.

(10)

(Total for Question 1= 30 marks)

TOTAL FOR SECTION A = 30 MARKS

Turn over

SECTION B

Read Extract B before answering Question 2.

Write your answers in the spaces provided.

Extract B

Select Service Provider (SSP) to really fly at airports

At airports and railway stations across Europe and beyond many people will have eaten or drank at restaurants, bars and cafes operated by SSP. SSP is a leading operator of branded food and beverage outlets in travel locations across 29 countries. It operates about 2,000 outlets at 124 airports and 270 railway stations worldwide.

Some brands belong exclusively to SSP such as Millie's Cookies, Upper Crust and Caffé Ritazza, but SSP also operates franchises for well-known names such as Nando's, Burger King and Starbucks.

SSP has been successful since becoming a public limited company in 2014 and has a strong plan to expand. 44% of its revenue comes from the UK, with Asia and the Middle East offering the biggest potential for growth.

Today SSP has about 300 brands. In line with changing customer tastes, many serve healthier, premium food.

(Source: adapted from 'Food Outlet firm to really fly at airports abroad' by Joanne Hart, *The Mail on Sunday*, 4 October 2015)

2 (a) What is meant by public limited company?

(2)

(b) What is meant by a franchise?

(2)

(c) Explain how a flexible workforce might benefit SSP.

(4)

(d) Construct a supply and demand diagram to illustrate the likely impact of changing consumer tastes on Burger King.

(4)

(e) Assess **two** benefits to SSP of operating franchises.

(8)

(f) Assess the likely benefits to a company, such as SSP, of using non-financial techniques to motivate employees.

(10)

(Total for Question 2 = 30 marks)

TOTAL FOR SECTION B = 30 MARKS

SECTION C

Read Extract C before answering Question 3.

Write your answer in the space provided.

Extract C

Maria Allen Boutique

Combining creativity with ethics has proved a powerful mix for Maria Allen, whose business Maria Allen Boutique counts the British Museum and David Cameron as clients. Maria has created a business that stands out in a competitive market.

A champion of the Made-in-Britain slogan, Maria's business creates beautiful and sustainable gifts and products by reclaiming old wood to handcraft personalised and unique merchandise.

Launched with just a couple of hundred pounds, she sold her handmade jewellery from Etsy, an e-commerce website, and began generating a profit from day one.

The business, which is based in Brighton, now has a growing team of staff, an online retail channel and sells to over 70 stockists worldwide as well as having exclusive partnerships with the British Museum, Tate Galleries and the Royal Academy of Arts.

The company initially found popularity with its individually designed love letter necklaces and envelope cufflinks, and has now expanded its product range from jewellery to wedding, homeware and accessory collections.

(Source: adapted from http://startups.co.uk/young-entrepreneurs-maria-allen-maria-allen-boutique/)

Maria Allen aims to reach sales of £500 000 by the end of the year. To achieve this, she could focus on ethical sourcing or cost minimisation.

3 Evaluate these **two** options and recommend which option would help Maria Allen meet her sales target.

(20)

(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

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