| Surname | Centre Number | Candidate Number |
|---|---|---|
| Other Names | | 2 |

# GCE AS

B510U20-1

S18-B510U20-1

# BUSINESS – AS component 2
## Business Functions

FRIDAY, 25 MAY 2018 – AFTERNOON

2 hours

| | For Examiner's use only | | |
|---|---|---|---|
| | **Question** | **Maximum Mark** | **Mark Awarded** |
| **Section A** | **1.** | **16** | |
| | **2.** | **23** | |
| | **3.** | **16** | |
| **Section B** | **4 or 5 or 6** | **25** | |
| | **Total** | **80** | |

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### ADDITIONAL MATERIALS

A calculator.

### INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** questions in Section A.

Answer **one** question from Section B.

Write your answers in the spaces provided in this booklet.

If you run out of space, use the continuation pages at the back of the booklet, taking care to number the question(s) correctly.

You are advised to spend no more than 80 minutes on Section A.

### INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

You are reminded of the necessity for good English and orderly presentation in your answers.

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## SECTION A

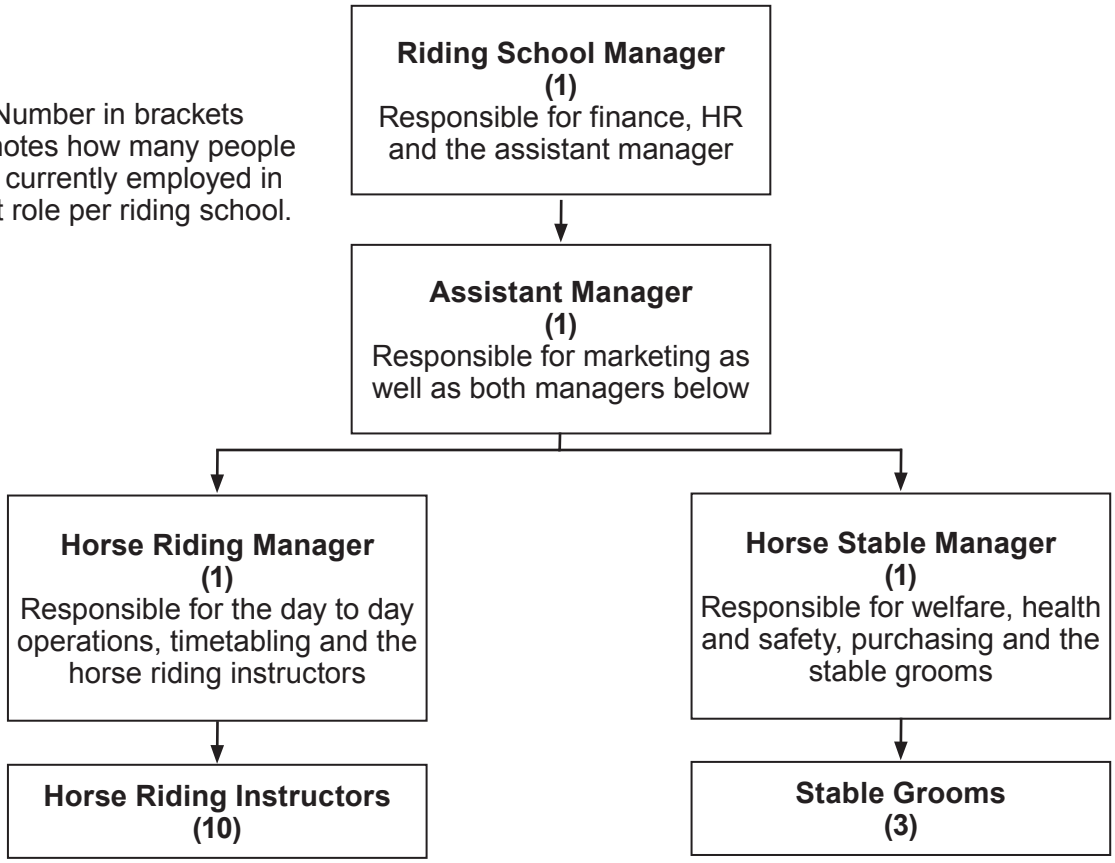
*Answer* **all** *questions from this section.*

**1. Organisational change at Power Ridings?**

Power Ridings Ltd is a medium-sized business based across the South of England that provides horse riding lessons to most age groups. The business has six riding schools altogether and the managing director, Sara Power, has provided the following information on the current organisational design of the business:

**Figure 1:** Current organisational structure of **each** riding school.
Each riding school manager reports directly to Sara:

( ) Number in brackets denotes how many people are currently employed in that role per riding school.




The company operates a centralised structure where all business decisions are made by Sara through a clear **chain of command**.

To improve performance, a business adviser suggested delayering and removing assistant managers, horse riding managers and horse stable managers from each riding school and increasing the **span of control** of the riding school managers. The business adviser also suggested **empowering** the workers at the bottom of the organisational structure.

The business has a reputation of providing consistently high quality riding lessons with the price charged for each lesson being above the industry average of £40. Sara uses a strategy of 40% cost-plus pricing and is keen to find out what her prices would become if she went ahead with the adviser's recommendations.

Examiner only

*(a)* What is meant by the term *'chain of command'*? [2]

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*(b)* (i) What do you understand by the term *'span of control'*? [1]

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(ii) Taking into account the business adviser's proposed changes, what will be the new span of control of the riding school managers? [1]

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Sara calculated that on average it would cost £25 to provide each riding lesson after delayering had taken place.

*(c)* Based upon her 40% cost-plus pricing strategy, calculate the average selling price of each riding lesson after delayering has taken place. [2]

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*(d)* Advise Sara whether to go ahead with the business adviser's suggestions. [10]

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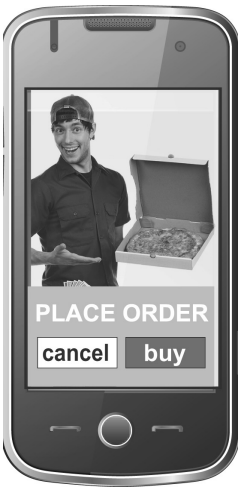
## 2. Performance at Domino's




Domino's Pizza Group plc is one of the world's leading pizza making companies. The company started as a single pizza store in 1960 in the United States of America, and today operates in over 60 countries worldwide including Japan, India and Brazil. Throughout its expansion Domino's has had to change its marketing mix to appeal to different countries.

In recent years, Domino's has invested heavily in m-commerce in the UK as it is one of the UK's fastest-growing online markets. The Domino's app has been downloaded over 10 million times on smartphones and tablets in the UK. Strong sales growth has been linked with increased sales made via the Domino's app which contributed to over 50% of all online sales in 2015.

**Figure 2:** Extract from Domino's Pizza Group plc UK Profit and Loss Account (Income Statement):

| | **2015** | **2014** |
|---|---|---|
| | **£m** | **£m** |
| **Sales revenue** | 317 | 295 |
| **Cost of sales** | 193 | 185 |
| **Expenses** | 51 | 56 |

*(a)* Apart from increased sales, explain **one** other benefit to Domino's of using m-commerce. [3]

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Examiner only

*(b)* Explain why Domino's might adapt elements of its marketing mix for different countries. [6]

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*(c)* Using an example relevant to Domino's, define the term *'cost of sales'*. [2]

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*(d)* (i) Using **Figure 2**, calculate Domino's gross profit margin for 2014 and 2015. Present your answer to two decimal places. [4]

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(ii) Using **Figure 2**, calculate Domino's net profit margin for 2014 and 2015. Present your answer to two decimal places. [4]

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(iii) Assess the financial performance of Domino's Pizza Group plc over the two years. [4]

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**3. R&D and production in the car industry**

Tesla Motors specialises in producing electric cars and in 2016 planned to produce between 80 000 and 90 000 electric cars. In 2016 Tesla Motors also announced that it is on track to produce 500 000 electric cars per year from 2018, as it boosts investment in flow (mass) production. Tesla's share price increased at the announcement of this news, even though the company losses have deepened due to its expansion costs.

The Morgan Motor Company Ltd on the other hand, has been hand-making their specialist classic cars and sports cars since 1910 by very highly-skilled workers, using job and batch production techniques. The company makes just over 1 300 cars per year and its Plus 8 model takes 30 days to build with average customer waiting times of 6 months for delivery.

Although both companies produce cars differently, both value the importance of research and development in enhancing their product ranges.

*(a)* Discuss the appropriateness of the production methods used by Tesla Motors and the Morgan Motor Company Ltd. [8]

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*(b)* Consider the benefits and costs of research and development to businesses. [8]

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## SECTION B

*Answer* **one** *question from this section.*

**Either,**

**4. Future Finance**

*(a)* Describe the different sources of finance available to a new small business in comparison to a large established company wishing to expand. [10]

*(b)* 'Budgeting is always beneficial to the stakeholders of a business.' Discuss this statement. [15]

**Or,**

**5. Fizzy Marketing**

*(a)* Describe the different types of below-the-line promotional strategies that a soft drinks producer such as Coca Cola or Pepsi Co could use to increase sales. [10]

*(b)* 'No business can succeed in the long-run without an effective marketing department.' Discuss this statement. [15]

**Or,**

**6. Human Happiness**

*(a)* Describe the different non-financial methods of motivation a tourist attraction business such as a theme park or a zoo can use to motivate its workforce. [10]

*(b)* 'A business can only be successful if it has positive employer/employee relationships with minimal conflict.' Discuss this statement. [15]

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**Answer the question from Section B using the following pages.**

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**END OF PAPER**

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**For continuation only.**

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**For continuation only.**