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



GCE A LEVEL

A510U20-1



BUSINESS – A level component 2 Business Analysis and Strategy

MONDAY, 3 JUNE 2019 – AFTERNOON

2 hours 15 minutes

| For Examiner's use only | | |
|-------------------------|--------------|--------------|
| Question | Maximum Mark | Mark Awarded |
| 1. | 10 | |
| 2. | 16 | |
| 3. | 9 | |
| 4. | 15 | |
| 5. | 18 | |
| 6. | 12 | |
| Total | 80 | |

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen. Do not use pencil or gel pen. Do not use correction fluid.

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

Answer **all** questions.

Write your answers in the spaces provided in this booklet. If you run out of space, use the additional page(s) at the back of the booklet, taking care to number the question(s) correctly.

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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Answer all the questions in the spaces provided.

1. Gifts Galore Ltd is a manufacturer of gift cards for different occasions. Until recently, its main customer base consisted of a number of small independent retail shops. However, following a difficult trading period, Gifts Galore Ltd have tried to seek additional custom from larger retailers, such as WH Smith, but these customers tend to insist on trade credit from their suppliers.

The Managing Director of the business, Ruth Meredith, is analysing the business's financial accounts to consider the current position. Below is an extract from the balance sheet:

Balance sheet extract for Gifts Galore Ltd: 1st May 2019

| | £ |
|--|---------|
| Fixed assets (non-current assets) | |
| Premises | 500 000 |
| Vehicles | 48 000 |
| Machinery | 60 000 |
| | |
| Current assets | |
| Stock | 322 000 |
| Trade receivables (debtors) | 65 000 |
| Cash | 0 |
| | |
| Current liabilities | |
| Trade payables (creditors) | 287 000 |
| Overdraft | 64 500 |

- (a) Outline the meaning of the term *fixed assets (non-current assets)*.

[2]

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(b) Using the information provided, calculate the working capital for Gifts Galore Ltd. [2]

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(c) With reference to the balance sheet extract, assess the level of working capital for Gifts Galore Ltd. [6]

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2. Jaguar Land Rover is a manufacturer of motor vehicles. As part of its **corporate strategy**, its main focus is on *‘the innovation, design and creativity that our customers love’*.

Jaguar Land Rover has identified several trends in the market that are influencing the car industry, including:

- 1. Stricter regulations around the fuel efficiency and the safety features of cars.
- 2. New regulations, which limit the level of fuel emissions from cars in cities.
- 3. Consumers are demanding better technology within their cars, such as broadband connections.
- 4. Consumers are changing their use of cars, such as the increased trend of car sharing.
- 5. Consumers are looking for different ways to purchase their cars, and the increased use of the internet to help this.

Source: http://annualreport2016.jaguarlandrover.com/assets/jaguar-land-rover-annual-report-2016_strategic-report.pdf

(a) Define what is meant by *corporate strategy*. [2]

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(b) Explain how Jaguar Land Rover could respond to any **two** of the changing market trends identified above, in order to achieve its corporate strategy. [4]

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Like many other car manufacturers, Jaguar Land Rover assembles its cars in its own factories but it outsources many of its operations to other businesses such as:

- DHL manage the logistics of its just-in-time system.
- Pilkington’s Glass carry out research into new glass technology, and provide hi-tech windscreens.
- External companies carry out IT helpdesk services.

(c) To what extent do you think that outsourcing some of its operations is beneficial for Jaguar Land Rover? [10]

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3. Playtime Cuddles Ltd is a manufacturer of cuddly toys for children and produces a range of products including teddy bears and accessories for decorating the bears. The Managing Director, Khadijah, is considering the options for growth including developing new ranges of toys. Alternatively, Playtime Cuddles Ltd could look to expand into a new market, possibly on an international level.

Recently, one of its largest customers approached Playtime Cuddles Ltd, a large chain of nurseries called Fairies, who buy the teddy bears in bulk. Fairies have asked for a teddy bear that is slightly adapted from the original design by adding its own nursery logo.

The original teddy bears were sold at £12 per unit, with a manufacturing cost per unit of £6.50. Khadijah estimated that the product alterations would cost an extra 50p per unit to manufacture. Fairies had offered to pay £13.50 each for the modified bears. Fairies are requesting 600 units of the modified bear.

(a) Calculate the total contribution that would be made if Playtime Cuddles Ltd decided to accept the order for the modified teddy bears. (Show your workings.) [3]

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(b) Discuss and then advise Khadijah whether or not to accept the additional order for the modified teddy bears. [6]

A series of horizontal dotted lines for writing an answer to the question above.

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4. Stylish Comfort sells reclining and massaging armchairs and are currently operating over 25 stores across major cities of the UK. The business employs almost 200 employees. The management team are expecting the market to continue to grow in the future, but they are worried about new competition entering the market.

Their sales figures and three-point moving average figures are shown below.

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|------|------|------|------|------|------|------|------|------|------|
| Sales revenue (£000's) | 372 | 370 | 350 | 420 | 460 | (ii) | 531 | 520 | 542 | 570 |
| Three-point moving average (£000's) | | 364 | (i) | 410 | 467 | 504 | 524 | 531 | 544 | |

- (a) Calculate the percentage change in sales revenue between 2017 and 2018. [2]

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- (b) Complete the table by calculating the missing figures for: [2]

- (i) Three-point moving average for 2011

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- (ii) Sales revenue for 2014

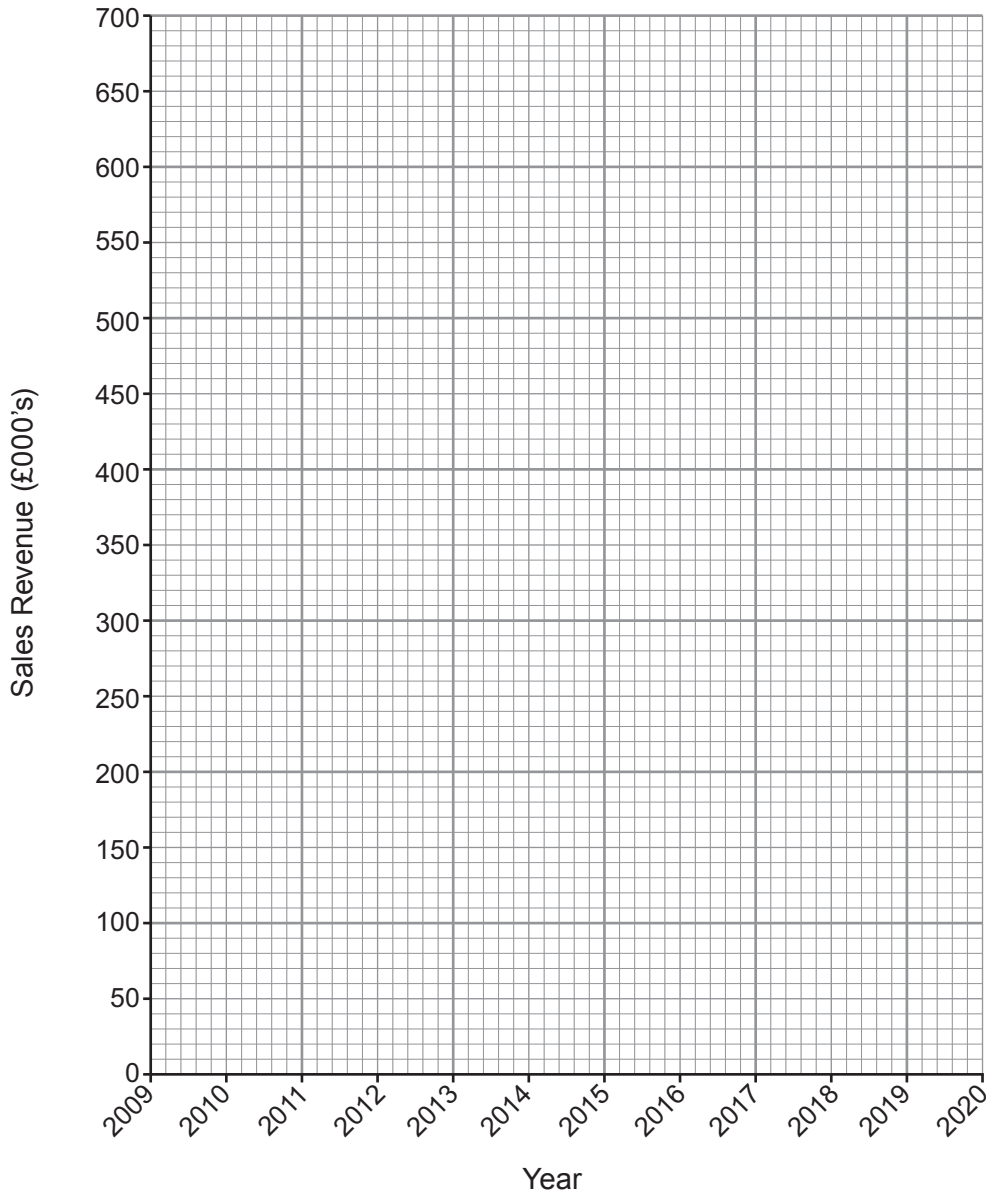
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- (c) Plot the three point moving averages on the graph provided and use a line of best fit to predict the sales revenue for 2019. [3]



Prediction for the 2019 sales revenue

- (d) To what extent are quantitative sales forecasting methods more useful to Stylish Comfort than qualitative forecasting techniques? [8]

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5. Lloyds Bank PLC to reduce hundreds of branches in size

Lloyds Bank PLC has announced plans to reduce hundreds of its branches in size, in some cases completely removing the traditional service desks.

It has already announced plans to close 400 of its branches around the UK, with 9 000 job losses.

The new "micro branches" will be staffed by just two people, who will help customers to use machines, including pay-in devices.



Lloyds said the reason was a significant change in customer behaviour, which has seen more transactions move online. The micro format will use as little as 1 000 square feet of space, as they felt a lot of empty unused space was intimidating for customers.

There will be no counters in the new micro branches. Instead, the staff will be mobile and will carry tablet computers to help customers. There will be video links for customers to talk to mortgage advisers, but for complex transactions, they will have to visit a bigger branch.

As part of the changes, Lloyds will also open up to 20 much larger branches containing specialist services and staff.

(Adapted from) Source: www.bbc.co.uk/news 3rd April 2017

(a) Explain the role that information technology has played in Lloyds Bank PLC's decision to launch micro branches. [6]

A series of horizontal dotted lines provided for the student to write their answer to question (a).



(b) Evaluate the impact of Lloyds Bank PLC's decision to rationalise on the business and its stakeholders. [12]



Examiner
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6. Taylors Slate Mine has been established in Cumbria since 1885, and has been mining for slate at three separate sites ever since. Taylors Slate Mine is considering two options to develop its business, but can currently only afford one of them.

Option 1 – Buying new mining equipment

The option is to invest in a new piece of mining equipment for each site, which should allow output to increase by up to 20%. The machinery will cost the business £250 000 in total, but six fewer employees would be needed.

Option 2 – Cafe and gift shop

Based on the ever-increasing tourism trade in Cumbria, focussing on hiking and other outdoor activities, Joe Taylor – the Managing Director - is keen to develop a cafe and gift shop at one of the mine sites. He also believes he could sell some of the slate products as gifts to tourists. He estimates that the project would require an investment of £150 000 to develop the site.

The table below shows the annual net cash flow that Taylors could expect from both of the investment options over the next 5 years.

| | New machinery net cash flow (£'s) | Cafe and gift shop net cash flow (£'s) |
|---------------|--|---|
| Year 1 | 30 000 | 10 000 |
| Year 2 | 70 000 | 20 000 |
| Year 3 | 100 000 | 40 000 |
| Year 4 | 100 000 | 80 000 |
| Year 5 | 115 000 | 110 000 |

Using payback and ARR methods of investment appraisal, and any other information in the data, recommend to Taylors Slate Mine whether it should invest in the new machinery or the cafe and gift shop. [12]

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