

# Script Marks Report

Component A510U20-1 - BUSINESS COMPONENT  
Series 2  
Candidate Name 18E  
Candidate Number  
Centre Number 64395  
Total Mark 67

Item	Mark	Annotated Comments
1	4	
2a	5	
2b	5	
3a	3	
3b	5	
3ci	2	
3cii	2	
3ciii	1	
3di	3	
3dii	3	
4a	6	
4b	2	
5	9	
6	10	
7	7	
<b>Total Mark</b>	<b>67</b>	

Surname	Centre Number	Candidate Number
Other Names	64395	2



**GCE A LEVEL**

A510U20-1



**BUSINESS – A level component 2**  
**Business Analysis and Strategy**

MONDAY, 11 JUNE 2018 – AFTERNOON

2 hours 15 minutes

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	4	4
2.	12	10
3.	22	19
4.	10	8
5.	12	9
6.	10	10
7.	10	7
<b>Total</b>	<b>80</b>	<b>67</b>

**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 continuation pages 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.

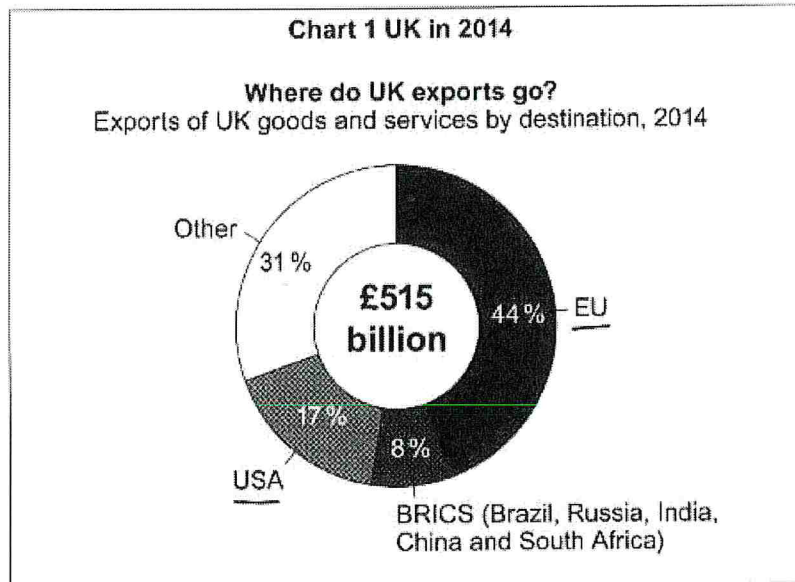
You are reminded of the necessity for good English and orderly presentation in your answers.



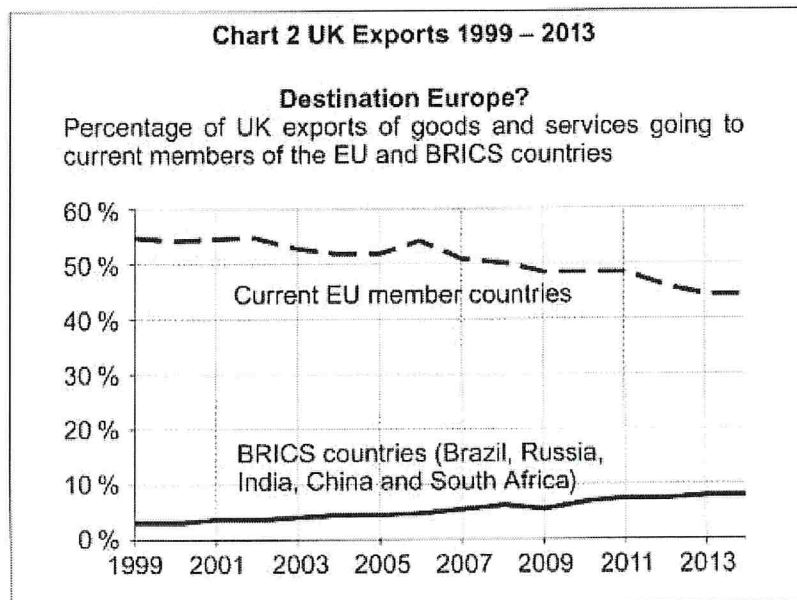
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Answer all the questions in the spaces provided.

1. Charts 1 and 2 below give information about UK exports.



Source: Office for National Statistics



Source: Office for National Statistics



Explain how the information in Chart 1 and Chart 2 might be useful to a UK exporter. [4]

It could be useful because they know which countries they should target their products at. Over 44% of UK exports go to the EU, so the UK exporter should focus on moving into European markets, by establishing distribution channels and introducing it in different languages. This is useful because it will help the exporter move into the best market with most experience.

Also, it is useful because it shows geographical



2. Greggs plc is the largest UK bakery chain with 1743 outlets including 143 franchised outlets.



Greggs has a vertically integrated supply network which currently comprises twelve bakeries, one distribution centre and one manufacturing centre of excellence for savoury products including pies and pasties.

- (a) Outline the advantages and disadvantages to Greggs of being a vertically integrated business. [6]

One advantage is that supply of pastries can be integrated into the demand that Greggs receives. If there is a high demand for a particular product, Greggs has a good connection with its supplier so it can order products/materials more easily. This can prevent Greggs outlets from running out of products, especially as they are edible and will go off.

A disadvantage would be that they won't easily be able to switch supplier if they are cheaper. Because Greggs owns the bakeries, it needs the business from the outlets so the outlets can't

AO1 2

AO2 3



(b) Evaluate franchising as a method of growth for a business such as Greggs. [6]

Franchising is when a business is licensed to use a brand name, logo or product.

Franchising is a fast method of growth, due to the ease of setting up multiple outlets with a manager already there. This means that Greggs can set up in multiple locations quickly, which helps them access lots of geographical markets, gaining market share. However, Greggs needs to monitor the franchisees because they all carry the reputation of the business and damaging it could be fatal to Greggs as it could result in a loss of sales.

Franchising requires the franchisor to provide training to the franchisee



3. Robert Chambers & Sons Ltd operates a small chain of hardware stores in the North East of England. The table below is an extract from the company's budgeted and actual cash flows for last year.

	Budgeted £000s	Actual £000s	Variance £000s
Revenue	2475	2275	(i)
Purchases	1485	1465	(ii)
Wages	620	700	(iii)

usr {

- (a) Calculate the variances stating whether they are favourable (F) or adverse (A). [3]

(i) £200,000 (A)

(ii) £20,000 (F)

(iii) £80,000 (A)

- (b) Explain possible causes for these variances and suggest suitable ways that Robert Chambers & Sons Ltd might respond to them. [8]

One cause of adverse revenue is due to lower demand than expected. Lower demand leads to fewer sales and thus revenue. They could respond by increasing their advertising in the North East as this raises awareness of their stores and stimulates demand.

Favourable variance of purchases may be due to cheaper suppliers, or the materials costing less. This would mean their budgeted figure was an overestimate. A response could be by using more data to create an accurate budget next time, so the actual figure is closer, thus being able to predict cash flow.

3a : 3



Adverse wages may be caused by an increase in the national/living wage throughout the year. This means that Robert Chambers had to pay his staff more than expected because the national wage is a law. To create better budgets, they should see in advance if there are going to be any changes.

- (c) The following figures have been extracted from the balance sheet of Robert Chambers & Sons Ltd for the year ended 31 December 2017.

	2017 £000s	2016 £000s
Fixed (non-current) Assets	1750	1620
Total Current Assets	632	654
Total Current Liabilities	421	448
Total Long-term (non-current) Liabilities	165	90?
Shareholders' Funds	1796	1736
Capital Employed	1961 ?	1826

- (i) State the meaning of the term shareholders' funds. [2]

The capital raised when people buy a portion of the business and become shareholders, in return for dividends.

- (ii) Calculate the total long-term (non-current) liabilities for 2016. [2]

$$1826,000 - 1736,000 = \underline{\underline{90,000}}$$

$$LTL = CE - SF$$





(iii) Calculate the capital employed for 2017. [1]

$$165,000 + 1,796,000 = \underline{\underline{\pounds 1,961,000}}$$

$$CE = LTL + SF$$

(d) (i) Use the information provided to calculate the current ratio for both years. [3]

$$CR = \frac{CA}{CL}$$

$$2016: \frac{654}{448} = \underline{\underline{1.46:1}}$$

$$2017: \frac{632}{421} = \underline{\underline{1.50:1}}$$

(ii) Assess whether Robert Chambers & Sons Ltd would consider these ratios to be satisfactory. [3]

The norm for current ratios is 1.5:1 to 2:1. The 2016 figure of 1.46:1 is a bit low but the 2017 figure 1.50:1 is perfect. It shows that the business holds enough current assets to stay liquid but isn't losing opportunity cost by not having any liabilities. Both figures are satisfactory.

Example 1  
only

3di : 3

3dii : 3



4. Charlie Jukes, the managing director of the 'My Plaice' chain of twenty fish and chip shops, is thinking of ways to expand his business next year. He has narrowed the choices down to three possibilities:

Option 1 – put a seating area in his shop in Northampton

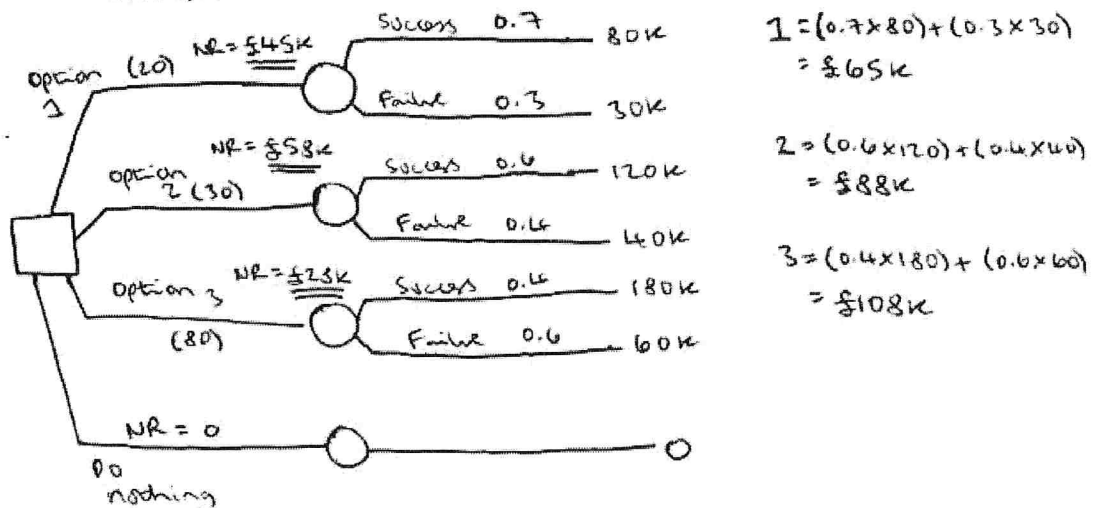
Option 2 – refurbish a shop in Milton Keynes.

Option 3 – open a new shop in Oldham

He asked his finance director, Misbah Shah, to calculate the chances of success for each option and the likely returns. Misbah produced the table below which gives the estimated returns for the first year following the improvements. Misbah based the estimates on the performance of other shops in the business over the past ten years.

Option	Initial cost £000s	Probability of success	Return if successful £000s	Return if unsuccessful £000s
1	20	0.7	80	30
2	30	0.6	120	40
3	80	0.4	180	60

- (a) Use this information to construct a decision-tree diagram and calculate the net return on each option. [6]



$K = 000s$

4a : 6



$$1: NR = \pounds 65k - \pounds 20k = \underline{\underline{\pounds 45k}}$$

$$2: NR = \pounds 88k - \pounds 30k = \underline{\underline{\pounds 58k}}$$

$$3: NR = \pounds 108k - \pounds 80k = \underline{\underline{\pounds 28k}}$$

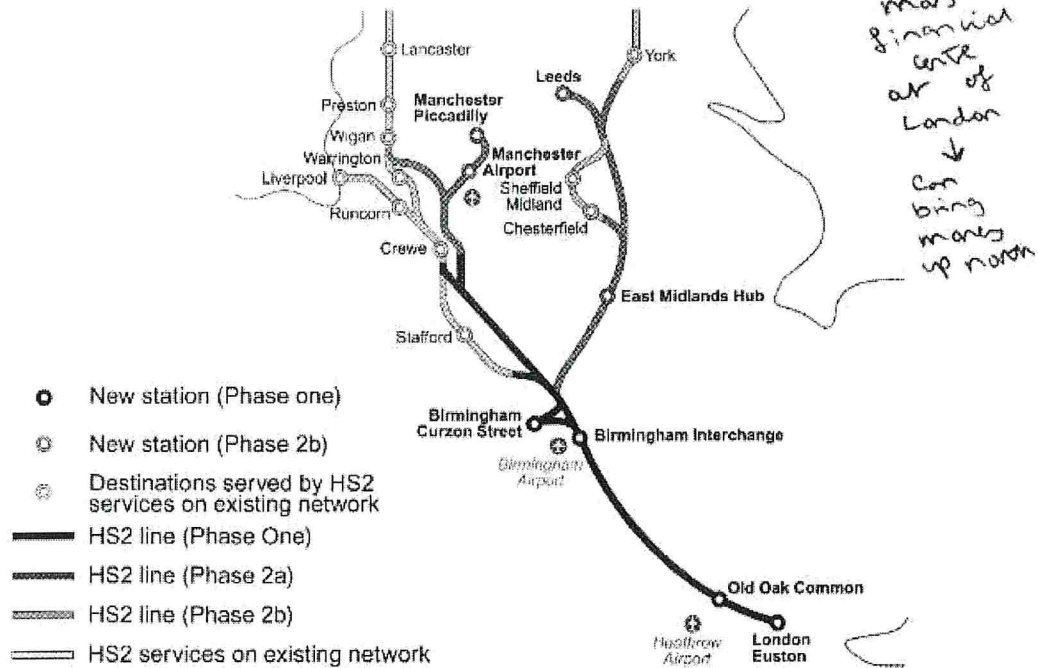
- (b) Assess which of these options is likely to represent the best **overall** value to Mr Jukes' business considering both quantitative and qualitative information. [4]

The best monetary return is Option 2, as it should bring the highest return of  $\pounds 58,000$ . Although, even though success of option 3 is only 0.4, the  $\pounds 100,000$  net return that would bring would be astounding. However, the chance of a net return of Option 3 being negative is higher.

Opening a new shop in a new area can attract new customers, which can lead to higher sales and higher



5. The government is planning a new high-speed rail network, from London to Birmingham, Manchester and Leeds, known as HS2. Ministers say it will improve the transport network and boost the economy, but there has been controversy about the exact route of the line and its effect on those living near it.



The initial plan is for a new railway line between London and the West Midlands carrying 400 m long (1 300ft) trains with as many as 1 100 seats per train. They would operate at speeds of up to 250 mph – faster than any current operating speed in Europe – and would run as often as 14 times per hour in each direction. This would be followed by a V-shaped second phase taking services from Birmingham to Manchester and Leeds.

The first phase of the £56 bn railway is due to open in December 2026, with trains to travel at high speed between London and Birmingham before continuing on the existing West Coast Main Line. The Department for Transport says the project will cut Birmingham London journey times from 1 hr 21 min to 49 min. Once the second phase is complete, Manchester London journeys would take 1 hr 8 min (down from 2 hr 8 min), and Birmingham Leeds 57 min (down from 2 hr). This would effectively reduce journey times between London and Edinburgh and Glasgow by an hour to 3 hr 30 min.

The government believes its creation will free up capacity on overcrowded commuter routes. It also estimates the new line could transfer 4.5 million journeys a year from the air and nine million from the roads, reducing the number of lorries on busy routes.

The Institute of Economic Affairs believes that the final cost of the scheme will be around £80 bn.

COSTS  
 Social – traffic, air building, delays  
 Private – money

BENEFITS  
 Social – less congestion, long term  
 Private – more money up north

Source: www.bbc.co.uk 15 November 2016



Evaluate how useful cost-benefit analysis would have been when decisions about going ahead with HS2 were being made. [12]

Cost-benefit analysis refers to a decision making model which weighs up the social costs & benefits against the private costs and benefits.

It is useful because it allows for how the community and environment will be affected. For example, the government needed to look at how the traffic created when building the network and short term delays of train journeys were valued at. This means that they needed to analyse how many routes would be disrupted during building, and how that would affect the morale of commuters and the financial cost to it. This increases the knowledge and data for the decision makers as to whether it's worth it.

It is unuseful because it can be hard to put an exact value on intangible aspects. A social benefit of the rail may be less time it takes to travel to northern cities to see friends or family, so more quality time can be spent - but what is the monetary value of that? Or the value of reduced congestion on main roads? Estimates of these benefits can affect the final figure, which can cause a wrong

AO2 3

AO3 3

AO4 3

12



6. SuperGroup plc is a distinctive branded UK fashion retailer offering quality clothing and accessories. The business was founded in 1985 and has since been developed to design and sell a wide range of premium men's and women's clothing.

The Superdry brand is at the heart of the business. Its target market consists of fashion conscious customers who are looking for stylish clothing that is uniquely designed and well-made. It operates a multi-channel business through a combination of Superdry standalone stores, Superdry outlets in other stores, e-commerce and its UK and international wholesale operations.

Discuss the ways in which the Ansoff matrix might be useful to SuperGroup plc. [10]

The Ansoff matrix is a growth tool with 4 different elements; market penetration, market development, product development and diversification. Each element has varying risks attached, but a business uses it for growth strategy.

Market penetration could be used for Super Group, as it involves selling the same products to some customers. This can be done by offering a loyalty card with benefit to customers who spend enough, which increases customer loyalty. This leads to repeat sales and higher market share in premium clothing. Although, it carries the least risk and is perhaps the slowest form of growth - and Super Group has to keep up with fast growing competition, giving them a need to grow.

Market development is selling the same products to different markets. Superdry has used this through operating multiple channels - such as outlets and international

AO1 2

AO2  
2

AO3 3

AO4 3



operations. This means that they have access to more customers, as being on the internet opens them up to global markets. Therefore, more customers can buy their products and they can spread risk throughout international markets. However, the channels can be risky if Super Group

10

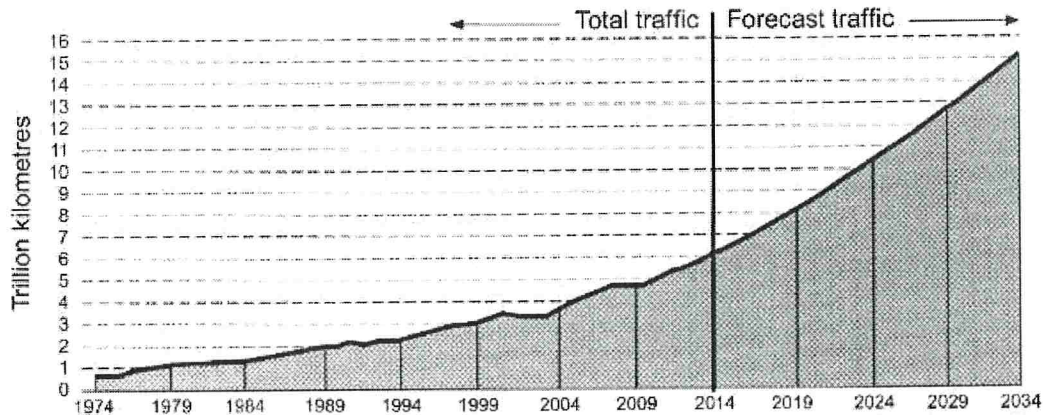


7. The chart below shows the actual and projected growth of global air traffic between 1974 and 2034.

Opps → more locations, segments, package deals  
Threats → pressure groups, substitutes, growing price of oil

### GLOBAL AIR TRAFFIC (TRILLION PASSENGER KILOMETRES)

Traffic is expected to double in the next 15 years



B  
Expense opp  
Adjustment  
P

Source: International Civil Aviation Organization (ICAO)/Airbus 2015

Consider the opportunities and threats faced by companies in the airline industry such as British Airways and easyJet. [10]

An opportunity airline companies face is the growing number of destinations they can offer. BA could start moving into offering long haul flights to Australia or the states. This could help them increase their sales as there is a dense competition from budget airlines for flights around Europe, also customers pay more for long haul flights so their





reserve could increase.

A threat they face is the potential price of oil. The whole industry operates from oil as the planes require fuel, and high oil prices from increased air traffic could put airlines profit at risk. Therefore, airlines should potentially hold a reserve of cash so they can continue to operate on low profit margins to bear competition.

Another threat is environmental pressure groups trying to boycott planes as they burn fossil fuels which is dangerous to our ozone layer. This could lead to a poor reputation and lower demand for flights. Although, many people like going on holidays and there are not many good substitutes to ~~the~~ airline travel.

10

END OF PAPER



Question number	Additional page, if required. Write the question number(s) in the left-hand margin.	Examine only
3b AO1 2 AO2 AO3 1 AO4 1	<p>in legislation within the year and calculate the effect it may have.</p> <p>Also, adverse wages may be from an increased number of employees within the year. If they had higher demand and needed more employees than the wages would increase. They can respond by having part time staff for only when it's busy e.g. Saturdays, which can cut back wages.</p>	
4b	<p>market share for My Place. This could help them become price makers for fish &amp; chip shops in the areas bringing higher revenue, although this depends on PED of fish.</p> <p>A seating area means that My Place can charge more for 'eating in' prices, which allows them to make higher revenue which adds value to Charlie's portfolio.</p> <p>Overall I would choose option 2.</p>	



Question number	Additional page, if required. Write the question number(s) in the left-hand margin.	Examiner only
AO3 1	<p>but estimated returns for the years other than first should be taken into <span style="border: 1px solid black; padding: 2px;">AO4 I</span> count.</p>	
5	<p>choice to be made.</p> <p>Looking at monetary values can help compare different decisions. A private cost of the HS2 is that it will cost the government around £80bn. This can be used to compare the cost of similar projects (such as new airport runways for plans travelling up North) to choose the one with the lowest cost. Although, they can be difficult to compare because the private <del>the</del> benefit of the HS2 is the ability for businesses to move their HQs out of London, which spreads the wealth up North. This can have further impacts, but it would take a long time to try and calculate all of the benefits, which can start any project occurring.</p> <p>I think in this case there are many ways cost-benefit analysis can be used but the government needs to take</p> <p style="text-align: right;">(extra paper continued)</p>	5:9





Write the two digit question number *inside* the boxes next to the first line of your answer

### Answer

Leave blank

1

markets that are yet to be discovered by UK exporters. BRICS only have 8% of UK exports, showing that they are well received but there is potential to make products or take. This is useful because identifying market gaps means the UK exporters can fill them and increase sales.

A02 2

A03 2

2a: 5

2 a

change supplier to make efficient and thus cheaper bakeries. This could put them in a bad ~~the~~ position if other small bakeries can compete with them on price.

~~Answer~~ An advantage to Greggs is they can control the supply of the bakery goods to the outlets competition. Cases such as Costa or New who buy the pastries from the bakeries or manufacturing centre may get ~~the~~ forced to pay a higher price than Greggs outlets. This means that Greggs can compete on price and win market share in that industry; because baked goods are quite price ~~less~~ elastic.



Write the two digit question number *inside* the boxes next to the first line of your answer

### Answer

Leave blank

2 b Which is expensive for main Greggs and requires employees to take time to go over procedures and safety - which is not very productive. Therefore, Greggs could face lower output if employees need to go and train new outlets. Although, franchisees give Greggs a section of their profit, which can lead to a high amount of revenue over all 143 outlets, leading to further expansion.

AO1 2

AO3 1

Overall franchising is good for Greggs but they could grow too rapidly and lose control - it depends on how effective its other methods are.

AO4 2

4b:2

5 into account the difficulty in valuing intangible assets and need to look into the long term benefits and costs that the US2 could bring.

6:10

6 did not have experienced managers, because a difference in language or culture not being aware of could lead to a loss in money on failed marketing campaigns.

Product development is the same market but with new products. Super Group could increase their portfolio with new designs or accessories to sell to its current market. As their market is



Write the two digit question number *inside* the boxes next to the first line of your answer

## Answer

Leave blank

'fashion conscious' then they are willing to buy and wear new unique fashions - which the business can charge high prices for as they are new and trendy. This can lead to high sales and Super Group being a fashion leader - as long as they pick up on the new trends first. Also, ~~each~~ each design is only profitable for short term because tastes are always changing and cheap clothing stores like Primark will start producing the same styles at lower prices, which can steal customers.

Super Group could diversify their products by entering a new market with new products. They could enter the sport clothing market, aiming at top athletes who require scientifically made clothing. This can bring the highest form of growth but carries the most risk at all, due to not having experience with the new markets.

Each element carries costs and benefits for Super Group, but they should choose what to do according to confidence in their managers, what competition do and whether there are any gaps.







Write the two digit question number *inside* the boxes next to the first line of your answer

### Answer

Leave blank

7

Another opportunity for airlines is offering package deals. Not many airlines offer it, but Easyjet beat Thomas Cook on plane prices and could be a low budget package holiday, finding cheaper hotels and restaurants in the area. This could help easyjet spread risk if the airline business goes into a downturn because they are operating in different markets. However, they may lack experience with the hotel industry and initially lose out to Thomas Cook which can affect sales.

A02  
3

A03 2

A04 2

