

Question No.	Mark
1A	8
1B	10
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4A	9
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	U
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	I
	A
	M
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	E
	R
Total	71

Centre number:

6 4 3 9 5

Candidate number:

0 0 0 0 0

Paper reference:

A 5 1 0 0 3 0 - 1

Shown on the front of the question paper

Date of Examination:

2 3 0 6 1 7

D D / M M / Y Y

Subject/Unit title:

BUSINESS - ALEVEL COMP 3

Surname:

Other names:

Candidate signature:

I declare this is my own work.

Write in the white box how many answer books you have used

PLEASE PUT YOUR PAPER REFERENCE, CENTRE NUMBER AND CANDIDATE NUMBER ON EACH BOOK AND INSERT ALL ADDITIONAL BOOKS INSIDE THE FIRST BOOK

1

**INSTRUCTIONS TO CANDIDATES**

- Use black ink or black ball point pen only. Do not use pencil or gel pen. Do not use correction fluid.
- Write the information required in the spaces above and complete in BLOCK CAPITALS. Make sure you correctly copy the paper reference. This is provided on the question paper.
- Use both sides of the paper. Please only write within the white areas of the book.
- Write the question number in the two boxes provided in the left hand margin at the start of each answer, for example 0 1
- If you make an error when filling in the question number boxes, fill in both boxes completely and write the question number in the space immediately below the boxes you have filled in.
- Leave at least a space of two lines between each answer.
- Do all rough work in this answer book. Cross through any work that you do not want to be marked. Do not tear out any part of this book. All work must be handed in.
- Check that you have written the information required on each book used.
- DO NOT ANSWER MORE THAN ONE EXAMINATION IN THIS PINK BOOKLET.
- Write the numbers of the questions you answer, in the order attempted, in the boxes under 'Question No.' provided above.



W J E C 2 0 1 6 V 1

AB 16



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

Answer

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1 B

Net profit margin =  $\frac{\text{net profit}}{\text{Sales Rev}} \times 100$

2015 =  $\frac{92 \text{ m}}{1552 \text{ m}} \times 100 = \underline{5.93\% \text{ NPM}}$

2014 =  $\frac{78 \text{ m}}{1216 \text{ m}} \times 100 = \underline{6.41\% \text{ NPM}}$

Acid test =

current A - stock : current L

2015 =  $(400 - 225) : 327$

$175 : 327$

$\underline{0.54 : 1}$

2014 =  $(330 - 186) : 286$

$144 : 286$

$\underline{0.50 : 1}$

Gearing =

Capital E =

2015 = £355 m

2015 =  $\frac{45}{355} \times 100 = \underline{12.68\%}$

2014 = £314 m

2014 =  $\frac{41}{314} \times 100 = \underline{13.06\%}$

$\frac{\text{LTL}}{\text{Capital E}} \times 100$

NPM

JD's NPM has fallen by 0.48% and although this is only a small decrease it is important due to the already low nature of JD's OP NPM. Despite an increase in gross profit £147 million JD NPM has still fallen suggesting that the company has been less efficient at managing their expenses. The NPM is already fairly low for a global business like JD, therefore improving NPM is a financial area that JD needs to focus on to avoid impacting performance.

Gearing

JD's Gearing ratio has reduced by 0.38% <sup>meaning</sup> <sub>marginally</sub> the company is less heavily dependent on debt. Even in 2014, JD's Gearing was extremely low meaning they were in a strong position financially as if they needed to gain a bank loan they would





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

Answer

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1 B Am have a better chance. The reduction in gearing is due to an increase in shareholder funds rather than paying off LT liabilities as Am these increased by £4 million. Overall, JD is in a strong financial position regarding gearing ratio as they have relatively low ratio (due to low amount of LT liabilities) this means the business is not geared by debt and will be able to achieve additional finance for Am investment if needed.

#### Acid Test

JD's acid test ratio has increased by 0.04% meaning JD is now in a stronger business if they needed to pay back current liabilities. This has been achieved through increase in Am stock holding of £39m between the years and as JD operate in a dynamic market they will be able to sell this quickly. However, the acid test ratio shows even after this slight improvement JD would not be able to pay back CL with their current assets. Overall, this area needs to be addressed and JD need to reduce CL through receiving payments from debtors as this is not a strong position to be in.

To conclude, the gearing ratio would suggest that JD <sup>sports is</sup> ~~is~~ in a strong financial position as they have very little amount of debt despite recently expanding which is impressive. However, in order to continue business success JD need to target NPM and their acid test both of which are much lower than expected as such a large global business and should be higher. To conclude.

A01 - 2  
A02 - 2  
A03 - 2  
A04 - 4





1 B If the improvements in areas <sup>suggested</sup> are achieved then JP will have a strong financial performance.

1 A Through using new technology JP has been able to target a wider range of consumers. Through using multinational websites consumers can better understand (in an language) and are therefore more likely to purchase from JP. Although it could be argued that JP's products are easily self explanatory through pictures, the new technology benefits JP through resulting in ease of navigation through the site. This will benefit JP as consumers are likely to feel it is easy and convenient method of shopping leading to an increased number of sales. Through using new technology JP has also increased their access to market. Through increasing use of technology shoppers from all over the world will be able to purchase JP's goods and especially due to the increase in online sales in recent years this market is crucial for JP to target in order to remain competitive. Furthermore, through the option to order on website but pay in cash this offers JP a competitive advantage over other sportswear retailers as this likely to be attractive option to consumers - giving them under choice. Not this but new tech has increased opportunities for JP as consumers can access extended ranges online meaning that JP's stores can be smaller and hold less stock. This will benefit JP as they will reduce costs and free capital for potential investment and reduce likelihood of





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

Answer

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1 A

excess stock. JD have also provided consumers with wider delivery choices of its home or <sup>to</sup> store. This will benefit JD as it will attract consumers living further away from a store who may have previously chosen a closer competitor of JD's, <sup>but</sup> also offer collect in store to make delivery cheaper or more convenient for busier people. Overall, although new technology was not at first crucial for JD as majority of their sales still happen in store due to changes in the market the online website is much more important in modern day. Therefore it is clear that JD have benefited from new technology as it has increased access to markets, increased convenience and ease of shopping and despite high initial investment costs in the LT will <sup>benefit JD +</sup> reduce costs of location and large stores.

Although there is a high initial cost of equipment JD remains in a strong <sup>financial</sup> position for investment in assets like tills and tablets as have relatively low LT liabilities.

1 C

Risk is a circumstance or factor that could have a material impact on the profitability or operations of a business - often unexpected and difficult to plan for.

Risk of brands -

JD relies heavily on branded products such as Nike and Adidas as they are desirable to consumer. In order to plan better for this risk JD should continually carry out market research. This is crucial as they operate in a





1 C

market, this will allow JD to <sup>better</sup> anticipate any changes to consumer tastes or attitudes. A big risk JD takes <sup>is</sup> that if the brand receives bad reputation such as being unethical it will likely have a negative impact on JD's sales. As this is <sup>both</sup> unquantifiable and systematic risk it is very difficult for JD to plan and predict the likelihood and potential impact. The risk management that JD should take to minimise the risk is to continue to <sup>sell</sup> ~~offer~~ a wide range of brands in stores instead of focusing heavily on one because of the risk so that the impact can be spread. Despite being unquantifiable risk due to strong branded nature of the brands like addidas it is <sup>less</sup> likely that consumers would suddenly dislike or disown the brand as many are brand loyal and are likely to have higher switching cost. Overall, the best way to deal with the risk of brands is not to focus heavily on one particular brand, however keep marketing of current brands high and continue doing market research to ensure they keep on top of the ever changing market.

Risk of seasonality -

Although the risk of seasonality will be influential to sales it is to an extent quantifiable as JD will be able to use previous historical sales data for current products with increase the efficiency of planning. To reduce the risk of seasonality JD could focus on <sup>introducing</sup> new products to extend





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Answer

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1 C

App

the period of sales <sup>gaining new uses for prod or</sup> for example increased <sup>reduce</sup> summer wear for the summer to ~~reduce~~ the impact of seasonality. However, overall due to wide range of products that JD has this makes seasonality less of a risk and JD should just focus marketing on different products at different times

App

Economic factors risk

Am

Through ensuring a wide range of products both luxury and more normal goods JD will be able to reduce the impact of disposable incomes as they will attract a wider range of consumers. Although employment levels are crucial as higher unemployment will reduce sales especially as JD sells predominately sportswear which is seen by many as a necessity. As JD trades internationally they need to expect <sup>some</sup> exchange rate volatility and this should be reflected in the price of goods to account for this. Overall, in order to reduce the risk of economic factors like interest rates and disposable income JD should maintain a wide range of products and should definitely account for changes in economy reflected in prices of goods. However, as JD are in a strong position with cash and low LT liabilities if they need to increase LT borrowings they can afford this.

A01-2

A02-2

A03-1

A04-3

1 D

on

Through growing by acquisition rather than organic growth JD benefit from quicker growth. As the business is already well





10

established and likely to have brand loyal consumers. This will benefit JD more than organic growth which is often more expensive and time consuming and will therefore free capital for other areas of investment. Another advantage of growing by acquisition is that JD can take over their close competitors such as 'First Sport' and 'Allsports'. This benefits JD more than organic growth as it strengthens their position within the market through reducing competition and attacking the competitors sales. As a result of reducing competition consumers will <sup>be more</sup> likely to purchase from JD and will increase the market share of the business leading to JD benefiting from benefit like purchasing economies of scale. Another advantage of growing through acquisitions is that JD is able to spread into countries like France and Ireland, Spain. Through acquisitions JD can benefit from the business already knowledge of the market and a degree of competition which they would not have if they just expanded organically and would give competitors an advantage while they learn to understand the market. Another advantage of acquisitions is that JD do not need extensive prior knowledge and can expand across entirely new areas which they would not likely be as successful through organic. As a result JD can dominate various different markets and use more diversified increasing potential sales from ↑



1 D

marker. Overall, it is clear that growing through acquisition is more beneficial to JD as it allows more rapid growth, access to knowledge and technology and reduce competition through gaining MS.

A01-1  
A02-2  
A03-2  
A04-2

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1 E

JD's strategy of expansion overseas definitely has some advantages. The business will benefit from access to increased markets, this will benefit JD from potentially increasing sales rev and gaining customer loyalty. However, the expansion overseas is risky as ~~it~~ <sup>it</sup> is unknown if the company will achieve the same level of success due to the very different social structure and cultural differences. Another advantage would be the potential to reduce costs of production as certain countries (developing) are cheaper to produce in. This will increase the position of JD <sup>competitiveness</sup> ~~internationally~~ as they will be able to reduce prices and still maintain a profit margin. However, after these cheaper production countries ~~are~~ in developing countries where working conditions are poor and workers are badly <sup>paid</sup> ~~paid~~. This could have a negative impact on the reputation of JD if they were seen to be unethical using sweatshops. Furthermore, there is the social cost of workers left behind in UK as they will be unemployed and may struggle to find employment. Another advantage of overseas expansion is an increased chance of transfer of tech + skills as different countries

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1 E

have different resources and this can benefit both JD but also the countries JD is expanding into. However, in different countries there is often different standards of technology and legislation. This may lead to JD needing to adapt products (globalisation) to meet local demands which can be costly. Overall, despite increased risk of expanding internationally due to social and cultural differences the strategy will improve the position of JD as it will increase potential market size and potential to reduce costs. Overall, <sup>despite</sup> the clear <sup>presented by</sup> risks of expansion to JD and the high initial cost in the stage of new equipment and establishing new distribution channels. In the LT the strategic benefits will outweigh the drawbacks as the company will have increased access to markets, extend brand image and benefit from cheaper production.

AO3-5

AO3-5

AO3-5  
AO3-5

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