

Question No.	Mark
1a	3
1b	6
1c	7
1d	7
1e	8
3a	7
3b	10
Total	
	48

Centre number:
6 4 3 9 5

Candidate number:

Paper reference:
A 5 1 0 0 3 0 - 1
Shown on the front of the question paper

Date of Examination:
0 7 0 6 1 9

Subject/Unit title:
business in a changing world

Surname:
A LEVEL COMP 3

Other names:
Grade A/B border

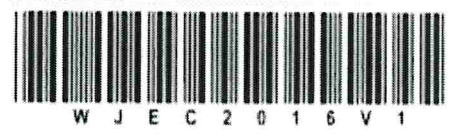
Candidate signature:

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

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.



AB 16



A A

One way a business can use contingency planning to deal with potential risks is through the use of contingency funds. This is money put aside to help a business return to as normal operations as possible in the event of a risk occurring. This can be seen with the need for VW to hold money in the case of recalling cars and issuing refunds.

Contingency planning can help firms like Toyota have re-call programmes set up in advance. They're aware of the potential risk of a product failure. If cars are taken back in as fast as possible, dealing with potential risk.

Firms can also use contingency planning to make risks insurable, by quantifying the likelihood of a risk occurring and the impact on the firm they can be eligible for business Interruption Insurance, minimising the impact of a public relations scandal or VW and allowing them to return to normal trading.

A01 = 2
A03 = 1 (3)

A B

By relocating to the USA, Toyotas Mexican employees lose their jobs, as a medium-developed economy the workers may find it hard to find new work and therefore have negative effects on the wellbeing of Mexican workers. American



employees will gain work, this is significant as areas like Detroit, where car manufacturing has become automated have large amounts of unemployed workers in the field, meaning they can now find work again.

Toyota's ^{USA} Customs may receive lower prices as there is no tariffs imposed on the cars - as there would've been before, avoiding the added cost from protectionist policies, meaning consumer welfare increases. The USA has a better education system than Mexico, meaning better skilled workers and a better quality product, something that will increase customer satisfaction.

The USA government would see a fall in unemployment in their economy, as one of their main objectives as G2000 new jobs are brought to the USA. The car industry is referred to as a 'serile industry', meaning it is an industry shrinking in size. Toyota's decision to relocate to the USA may stop this. However, the merge of Masda and Toyota may create anti-competitive behaviour.

Toyota's competitors will have to lower their prices to compete with Toyota who now have a lower price in the USA. To stay competitive they will also have to increase R+D spending to meet the competition of Toyota.



and Masdas new products. Decreasing their profits.

Pressure groups focussed on climate change may protest the introduction of 300,000 vehicles a year, most of which have negative production externalities or pollution. However, the shift towards Toyota developing electric cars may counter act this.

A01 = 2

A03 = 1

A02 = 2

A04 = 1

(6)

A C

One benefit of Toyota implementing environmentally friendly policies is the fact it makes them more ~~ethical~~ ethical and shows corporate social responsibility as their commitment to providing "responsible ways of moving people" may make them ~~more~~ have better public relations after the mass recall, incentivising people to purchase their cars.

The electric car market is growing rapidly, most options like Tesla and BMW are high cost and have a luxury YED, Toyota target in the affordable range of cars, and will be able to meet the demand of the low cost electric car market with the current supply, this can encourage new Toyota customers who may be pleased/satisfied with the american made quality, encouraging repeat sales as well as new customers in this high growth market.



The commitment of environmentally friendly policies like the scrappage scheme will work as a form of contingency planning towards the future as the UK has a target of 20% for banning diesel cars, and increased tax on diesel (petrol) cars, by encouraging switching through the £4000 discount, Toyota can ensure their demand curve stays consistent and is not bound due to legal changes (risk, minimising the impact of future changes).

However, the research and development needed will come at a high cost, developing hydrogen cars is difficult and costly, and may increase Toyota's expenses year-on-year without any significant benefit as R+D has a large time lag.

Due to the brake failure of the Toyota products, the new electric cars may make Toyota seem untrustworthy, as consumers value safety, reliability and NCAp ratings when buying cars, meaning they may be short of effective demand when selling 400,000 new cars, presenting the difficulty of actually selling the cars.

A01 = 1 A03 = 2
A02 = 2 A04 = 2 ①

A 0

Technological developments have inspired Toyota's pricing strategy as their development of the



Technology in the Lexus brand allows for a premium price to be charged as Lexus is seen as a luxury brand, meaning the implementation of new eco-friendly and innovative technology allows for a marketing strategy of a high price. The Lexus was also the first mass produced electric car, meaning it was the first of its type on the market, allowing for Toyota to use a price-skimming marketing strategy to take advantage of this.

New technology has meant Toyota can diversify their product portfolio. The introduction of new technology like air car w-zip can help produce new, more modern products and launch new eco and luxury ranges of Toyota cars. The development of new technology like Skydrive and self-driving cars can help move Toyota to a marketing strategy of being a pioneer in innovation, helping them build a strategy of becoming a market leader.

New technology like eye-tracking has helped Toyota change their promotional strategy, for example Skydrive being promoted on YouTube. Toyota are using their new and innovative tech to create USP's that form synergistic bonds. For example Skydrive being showcased at the Tokyo Olympics companies below the



line promotion, changing their strategy as they previously preferred above the line.

The use of technology to create intuitive technology to allow customers to customise their car on Toyota's website shows a switch in their distribution strategy as they are using a new personalisation concept and the intent to find other ways of getting the product to the customer, moving away from traditional show rooms. The new \$1.6bn car plant in the USA will also use automated production technology to increase the number of cars they can bring to market.

A01 = 2 A03 = 2
A02 = 2 A04 = 1

A E

business cycle → recession = low demand for cars/cheap labour?
 growth may = expansion of quantities
 boom = launch big projects
 low IR = more borrowing (incentive) / lower debt repayment (if variable, high pay (if you pay)
 high IR = low rate of borrowing (incentive), may ~~increase~~ lead to less investment (high repayment)
 exchange rate → as quote as an MNC but based on yen
 weak \$/£ against yen = low profit
 weak yen may make them more price competitive and increase sales

BUSINESS cycle

The business cycle shows how fluctuations in GDP over time can affect the business inside the economy. When moving into a recession, there will be slowing



Economic growth, low consumer confidence and high unemployment. This may result in less people wanting to buy new cars as they tend to be large investments, this will reduce the demand for Toyota's cars and may lower sales. Toyota tends to sell to the lower budget end of the market with 'no frills' cars, meaning they may not see as much of a change as Lexus. A period of growth may see the actual rate of growth increase and Toyota's sales increase as incomes rise with consumer confidence, Toyota may also take advantage of cheap unemployed labor in a recession, lowering costs, however they usually outsource production. An economic 'boom' will see Toyota's sales at their highest point as growth in the economy is strong, they may also also develop more luxury offerings to cater for high earners. Meaning Toyota's sales and profit offerings will change through the business cycle.*

Interest rates

Interest rates reflect the cost of lending and borrowing money. A lower rate will encourage borrowing for Toyota to invest in new capital and innovation as they'll have to pay lower dividends, less interest payments from a low IR may increase their profit as interest expenses are down. A



Lower higher interest rate will discourage borrowing as it will become more costly to borrow money. This may slow Toyota's development of self driving or hydrogen cars as the money needed to invest is ~~not~~ going to cost Toyota more. A high interest rate can also raise interest payments required each year, lowering Toyota's profit as they have to pay interest on outstanding debt from investments like the Mexico factory. **

Exchange rates

Toyota is a multinational company based in Japan - meaning they primarily operate off of $¥$ (yen). Many of their customers are in the USA, UK and elsewhere, a fluctuation of the yen against the $\$/\text{£}/\text{€}$ pounds, with the yen becoming stronger, decreases the value of the $\$/\text{£}/\text{€}$ to $¥$, this will make the Japanese products produced by Toyota more expensive in the USA and Europe, damaging price competitiveness, also lowering profits/return earned in Japan. A weaker yen may in contrast make Toyota more price competitive here, maintaining its low price selling point, and increasing Toyota's sales. When importing raw materials to the USA factories, the new tariffs may ~~decrease~~ ^{increase} the supply of the $\$$ on world markets and make importing the goods needed for production more expensive, raising price. ***



* however, the business cycle changes over a long period, decreasing the intensity of these changes.

** most interest rates, like the UK's 0.75%, stay consistent, decreasing uncertainty. Toyota is also a PLC, meaning its reliance on share capital is more important than borrowing from banks, which is what interest rates affect.

*** Most of the eurozone, USA and UK as well as Japan operate fixed exchange rates, which decrease the level of uncertainty. $A_{01}=2$ $A_{03}=3$
 $A_{02}=1$ $A_{04}=2$ (8)

3 A

An oligopoly is a market structure with a few large, dominant firms with a number of other smaller competitors. A monopoly. Competitive market has a high number of buyers and sellers and is highly competitive.

A Union has high sunk costs / fixed costs that go into running and getting up the unions, for example bond systems and complex electrical systems, while a British has significantly lower fixed / sunk costs. This is due to smaller size and less capital, as a result, there are low barriers to entry to the British market, encouraging more firms to enter, while entrepreneurs are put off operating unions due to the high cost, meaning there



are fewer firms in the market. Causing it to become an oligopoly.

Companies are often operated in franchises, such as Odeon and VUE. Each firm benefits from a high degree of knowledge of the industry that is needed to operate. Firms must understand the wider local market well to sell tickets, while butchers rely on the consistent need for meat, and are therefore relatively easier to set up in terms of business knowledge, allowing for more firms to set up.

Companies that are established like VUE and Odeon have high access to finance as they are significantly larger than Butchers. For example, Cineworld is owned by Merlin Entertainment who are an already large company, meaning they can spread the risk of starting a cinema lot more evenly than a sole trader with limited liquidity. With the large amount of both costs in the cinema industry, the access to finance stops new firms entering.

Monopolistically competitive firms are less able to benefit off of the economies of scale. Cinemas gain by buying more rights for Odeon's entire cinema list than they would the average cost of supplying each movie - goes, allowing them to lower prices in a very competitive way, with firms unable to lower their



prices any further being forced out the market, and firms with the lowest costs growing in market share to develop into an oligopoly.

This is a high demand for meat than America butchers, meaning that more entrepreneurs spot holes in the market for butchers and set the stores up, then supplying their local community/area, the high demand for local butchers mean on almost any high street where customers go for daily shopping a butchers will be there as they provide a need. Compared to America who set up in shopping centres with high leisure footfall. ~~Where~~ there are less shopping centres than high streets meaning less Americans have the chance to set up in profitable locations, reducing the number of firms.

$A_{12} = 3$ $A_{21} = 2$ $A_{22} = 2$ $A_{33} = 2$ (7)

3 b

Government intervention is required to stop the exploitation of consumers by firms, the government intervenes in the free market to stop this exploitation through regulation of the firms. Without it, consumers would be regularly exploited.

Consumers are protected from business through consumer law, this ensures that business do not mistreat their customers. Oligopolies and Monopolies will charge premium prices to customers to exploit their market power.



making them pay more for the product than they should, they may also provide poor quality goods, both of these have been seen replicated by technology firms like Samsung, who have changed high prices with low quality. Like the Samsung ~~3G~~ phone that crashed during use. The government would intervene to sanction these firms and establish price rules and quality compliance, preventing exploitation. However, in order to encourage customer loyalty and good word of mouth reviews they will want to maintain quality and keep prices down to prevent substitution, not needing government intervention.

Employees may be exploited though employees like Amazon, who treat their staff to the point of physical pain, therefore needing the government to introduce and enforce health and safety laws. The minimum wage of £8.21 also exists to ensure workers aren't paid for low wages, preventing low wage labour exploitation. Without the NMW, it is likely firms like Nike would employ workers for very low wages, the same way they exploit Chinese labor. However, wages too low would just result in workers finding work elsewhere or going onto welfare, not needing intervention.

Again, customers have recently had their data



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

Answer

Leave blank

3 6

Sold between firms, most notably Facebook and Cambridge Analytica. This makes a profit off of our knowing customs passed information, this has been stopped though the government banned GDPR law, preventing exploitation. Often customs are mislead, though implicit info

A01 = 3

A03 = 4

A04 = 3

10

