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Centre number 

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Forename(s) \_\_\_\_\_

Candidate signature \_\_\_\_\_

I declare this is my own work.

# INTERNATIONAL GCSE BUSINESS

Paper 2 Influences of marketing and finance on business activity

Wednesday 2 November 2022

07:00 GMT

Time allowed: 2 hours

## Materials

For this paper you must have:

- a calculator, which you are expected to use where appropriate.

## Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- All calculations must be shown.
- Do all rough work in this book. Cross through any work you do not want to be marked.

## Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 90.

## Advice

You may use a bilingual dictionary.

| For Examiner's Use |      |
|--------------------|------|
| Question           | Mark |
| 1–9                |      |
| 10                 |      |
| 11                 |      |
| <b>TOTAL</b>       |      |



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**Section A**

Answer **all** questions in the spaces provided.

For multiple-choice questions, only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.



**0 1**

Which **one** of the following is a stage in a channel of distribution?

**[1 mark]**

**A** Recruitment

☐

**B** Retailing

☐

**C** Retained profit

☐

**D** Revenue

☐

**0 2**

Which **one** of the following pricing strategies would cause prices to increase if employees had a pay rise?

**[1 mark]**

**A** Cost plus

☐

**B** Loss leader

☐

**C** Penetration

☐

**D** Skimming

☐


**0 3**Which **one** of the following would help a business with cash flow problems?**[1 mark]****A** Arranging a bank overdraft☐**B** Increasing its loan repayments☐**C** Offering longer trade credit to customers☐**D** Paying suppliers more quickly☐**0 4**Which **one** of the following items would be found in an income statement (profit and loss account)?**[1 mark]****A** Bank overdraft☐**B** Cost of sales☐**C** Fixed assets☐**D** Mortgage☐**0 5**

The range of goods that a business sells is called its:

**[1 mark]****A** Product differentiation☐**B** Product knowledge☐**C** Product life cycle☐**D** Product portfolio☐**Turn over for the next question****Turn over ►**

**0 6**State **two** types of external sources of finance that a business might use.**[2 marks]**

Source 1 \_\_\_\_\_

\_\_\_\_\_

Source 2 \_\_\_\_\_

\_\_\_\_\_

**0 7**

Explain what is meant by a minimum wage law.

**[2 marks]**

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**0 8**Explain **one** reason why a manufacturer might choose to sell its products through a wholesaler.**[2 marks]**

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Explain **two** ways a business might be affected by an increase in interest rates.

**[4 marks]**

Way 1 \_\_\_\_\_

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Way 2 \_\_\_\_\_

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**Section B**

Answer **all** questions in the spaces provided.

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Information box: What is a launderette?

A launderette is a place where people go to wash their clothes. The customers pay to use washing machines and drying facilities. Usually, customers need to pay by putting coins into the machines.

Launderettes are sometimes called laundromats.

**Item A – Dhobi Happy**

Dhobi Happy (DH) is a 24-hour self-service launderette in a Malaysian city. It was started two years ago by business partners, Adam and Iqbal. The two men have different objectives for Dhobi Happy. Adam wants to use the profits to invest back into the business and allow it to grow. Iqbal would like, as a shareholder, to withdraw the profits so he can enjoy a good lifestyle.

Many people in the city prefer to use a launderette rather than wash their clothes at home. The cost of washing and drying clothes is 12 Malaysian ringgits (MYR). Many people in the city find this price very cheap, but low-paid workers struggle to afford to pay this price.

There are several other launderettes close to Dhobi Happy, so competition is high. Some of these launderettes have started to offer a service where customers can leave their washing rather than sit and wait for it to be completed. Customers pay extra for this service.

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Identify and explain **one** impact on Dhobi Happy of operating in an area with many competitors.

**[3 marks]**

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**[6 marks]**

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**Item B**

Adam and Iqbal both want Dhobi Happy to become more profitable over the next few years. They recognise that they need to change the business to achieve this.

Adam believes that their launderette would attract customers from the competitors if it was a more enjoyable place to use. He would like to introduce computer games for customers to use while they wait for their washing to finish.

Iqbal disagrees with Adam's idea. He would like to see Dhobi Happy offer customers the opportunity to have their washing done for them, so they do not need to wait in the launderette. He thinks this would appeal to wealthy customers who do not want to waste time waiting for their washing.

The two men could not agree and decided to do some market research. They asked 20 Dhobi Happy customers to answer a questionnaire. The results are in **Table 1**.

**Table 1**

|                                                                                        |             |           |                       |
|----------------------------------------------------------------------------------------|-------------|-----------|-----------------------|
| 1. Do you use a launderette?                                                           | Yes<br>100% | No<br>0%  |                       |
| 2. Would you pay more to leave your laundry and have someone wash it for you?          | Yes<br>35%  | No<br>25% | Not sure<br>40%       |
| 3. Would you prefer to use a launderette that had computer games for customers to use? | Yes<br>80%  | No<br>10% | Not sure<br>10%       |
| 4. Do you earn more than 6000 MYR a month?                                             | Yes<br>45%  | No<br>20% | Refused to say<br>35% |

**1 0 . 3**

Identify and explain **two** reasons why the questionnaire might produce inaccurate results which misinform Adam and Iqbal.

**[6 marks]**

Reason 1 \_\_\_\_\_

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Reason 2 \_\_\_\_\_

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**Item C**

Adam is encouraged by the market research results. He has found out that the computer games would cost 125 000 MYR to install. He estimates that this investment would increase Dhobi Happy's revenue by 50 000 MYR in the first year, then 30 000 MYR each year after that.

Whilst he has not done any calculations, Iqbal believes that charging those who leave their washing will bring in an extra 40 000 MYR each year to Dhobi Happy.

**1 0 . 4**

Calculate the payback period for the investment in computer games.

Show your calculations.

**[3 marks]**

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Answer \_\_\_\_\_

**1 0 . 5**

Iqbal wants to introduce a service where customers leave their clothes for staff to wash.

Analyse **one** factor that might influence the price that Dhobi Happy could charge for this service.

**[6 marks]**

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**[12 marks]**

[illegible]

[illegible]

36



## Section C

Answer **all** questions in the spaces provided.

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### Item D – Cong Li Sports

Cong Li Sports (CLS) is a Chinese business that designs and manufactures sports clothing and footwear. It was started five years ago with a large amount of financial support from the Chinese government.

Many people in China are using gyms, and sportswear is now acceptable as everyday clothing, particularly in urban areas. Chinese consumers still like to buy USA and EU brands of sportswear, but they are starting to buy more Chinese brands, such as CLS. Customers often like to buy their sportswear using e-commerce as not every town has a large sportswear store. There is widespread use of social media to promote the CLS brand. Over 70% of China's population of 1.4 billion people have social media accounts, which is a higher percentage than that of the USA.

Chinese consumers like to buy high-quality luxury items. They are influenced by what other Chinese consumers recommend. They are also influenced by what Chinese sports stars are wearing.

China has operated in the global market for many years. It has become a large manufacturing nation, selling low-value products to many countries throughout the world. It has the advantage of having low-cost labour and many natural resources. This gives China a competitive advantage.

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Identify and explain **two** reasons why the Chinese government might have financially supported CLS.

**[6 marks]**

Reason 1 \_\_\_\_\_

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Reason 2 \_\_\_\_\_

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Identify and explain **two** benefits to CLS of using e-commerce.

**[6 marks]**

Benefit 1 \_\_\_\_\_

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Benefit 2 \_\_\_\_\_

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Chinese businesses already operate in the global market.

**[6 marks]**

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**Item E**

The CLS brand is starting to become recognised by Chinese consumers. This has been achieved by offering high-quality products at affordable prices. The business is receiving many orders and profits are increasing.

**Table 2 – Sales and net profit figures for CLS**

| Year                         | 2018 | 2021 |
|------------------------------|------|------|
| Sales (in yuan million)      | 3450 | 6400 |
| Net profit (in yuan million) | 850  | 1250 |

The net profit margin (NPM) for 2018 is 24.6%.

1 1 . 4

Using **Table 2**, calculate CLS's percentage net profit margin for 2021. Give your answer to one decimal place.

Show your calculations.

**[3 marks]**

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Net profit margin for 2021 \_\_\_\_\_



Analyse **one** method that CLS could use to increase its net profit margin.

[illegible]

**Turn over ►**



**Item F**

**Table 2** showed that while CLS's sales are increasing in China, profits are not rising as fast. Some managers believe that profits might improve if CLS builds factories and sells its products in the USA, while other managers would prefer to expand further in China.

**Table 3** compares the markets in the two countries.

**Table 3**

|       | Population size<br>(in millions) | Percentage living<br>in urban areas | Average income<br>per person<br>(in US\$) |
|-------|----------------------------------|-------------------------------------|-------------------------------------------|
| China | 1450                             | 83%                                 | 16 829                                    |
| USA   | 333                              | 61%                                 | 25 332                                    |

1 1 . 6

The managers of CLS want to increase profits. They are considering two options:

- build factories in the USA and sell its products there
- or
- continue to expand only in China.

Using **Items D, E and F**:

- analyse the advantages of **both** of these two options
- use your analysis to recommend which of the two options CLS should choose.

**[12 marks]**


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**39**



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