



GCE A LEVEL



A510U20-1

TUESDAY, 21 MAY 2024 – MORNING

BUSINESS – A level component 2

Business Analysis and Strategy

**2 hours 15 minutes plus your additional
time allowance**

Surname _____

First name(s) _____

Centre Number _____

Candidate Number 2 _____

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	4	
2.	6	
3.	13	
4.	17	
5.	16	
6.	14	
7.	10	
Total	80	

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink, black ball-point pen or your usual method.

Write your name, centre number and candidate number in the spaces provided on the front cover.

Answer ALL questions.

Write your answers in the spaces provided in this booklet. Additional space is provided for some questions within the booklet (if required).

(Turn over)

If further space is required for any question, you should use the additional page(s) at the end of this booklet. The question number(s) should be clearly shown.

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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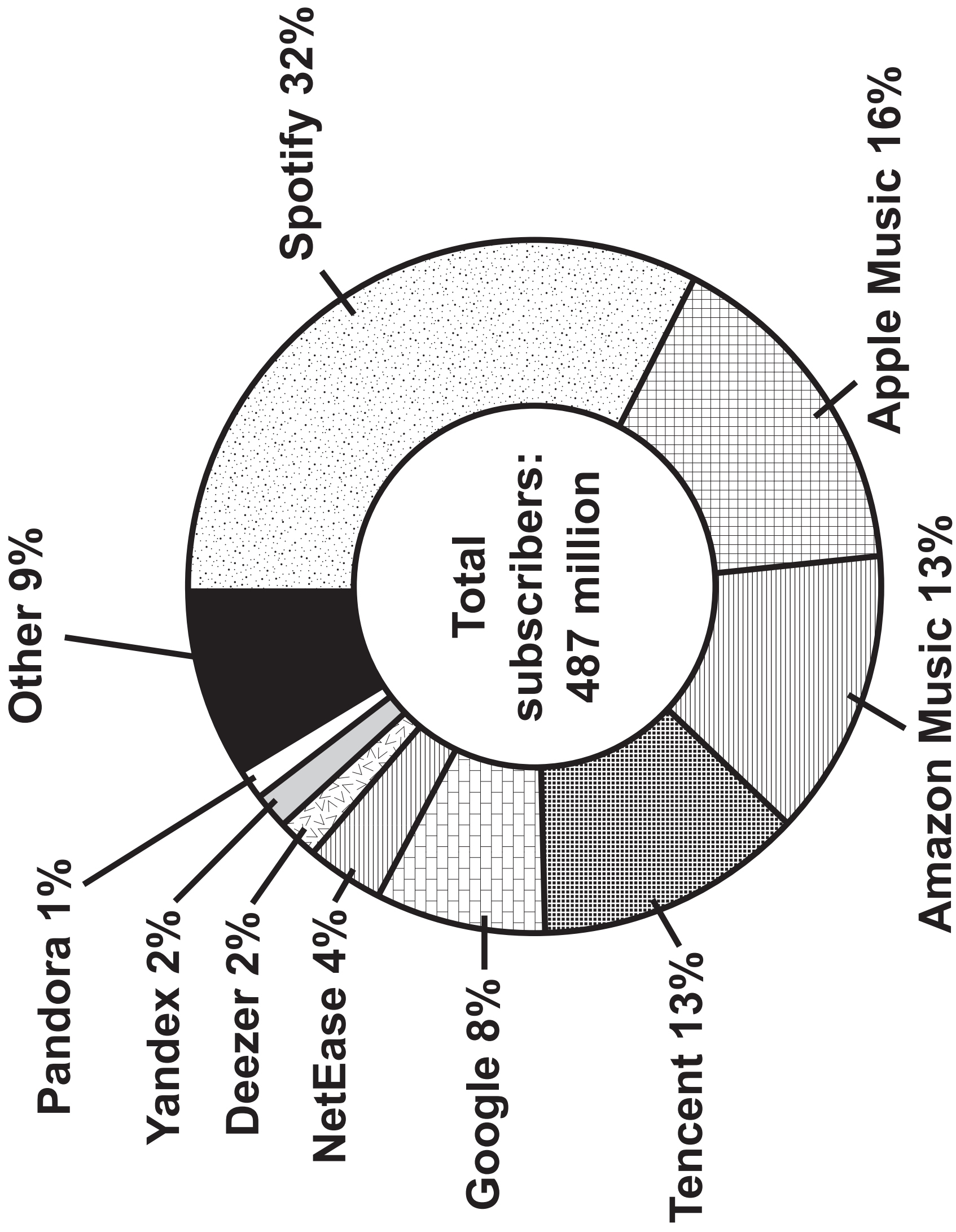
Answer ALL questions in the spaces provided.

- 1. Explain why a business may choose to rationalise. [4 marks]**

(Turn over)

5

(Turn over)



- 2. The pie chart opposite shows the worldwide market share of music streaming services as of March 2021.**

To what extent would this information be useful to a new company considering entering the music streaming market? [6 marks]

7

(Turn over)

Additional space for Question 2 only.

Income statement for Bread and Butter Ltd

	2023 (£000's)	2022 (£000's)
Sales revenue	386	292
Cost of sales	172	104
Gross profit	214	188
Expenses	128	116
Net profit		

Balance sheet for Bread and Butter Ltd

	2023 (£000's)	2022 (£000's)
Fixed assets (non-current assets)		
Machinery	45	42
Vehicles	19	21
Fixtures and fittings	8	9
Current assets		
Stock	28	26
Cash	17	12
Trade receivables (debtors)	31	16
Current liabilities	57	35
Long-term (non-current) liabilities	21	23
Net assets	70	68
Shareholders' funds		
Reserves	14	25
Share capital	27	20
Retained profit	29	23

3. The information presented opposite is an extract from the financial accounts of a bakery business called Bread and Butter Ltd.

(a) With the use of an example, describe what is meant by current liabilities.

[3 marks]

(Turn over)

3 (b) Calculate the net profit margin for 2022 and 2023. Give your answer to 2 decimal places. [3 marks]

3 (c) Calculate the acid test ratio for 2022 and 2023. Give your answer to 2 decimal places. [3 marks]

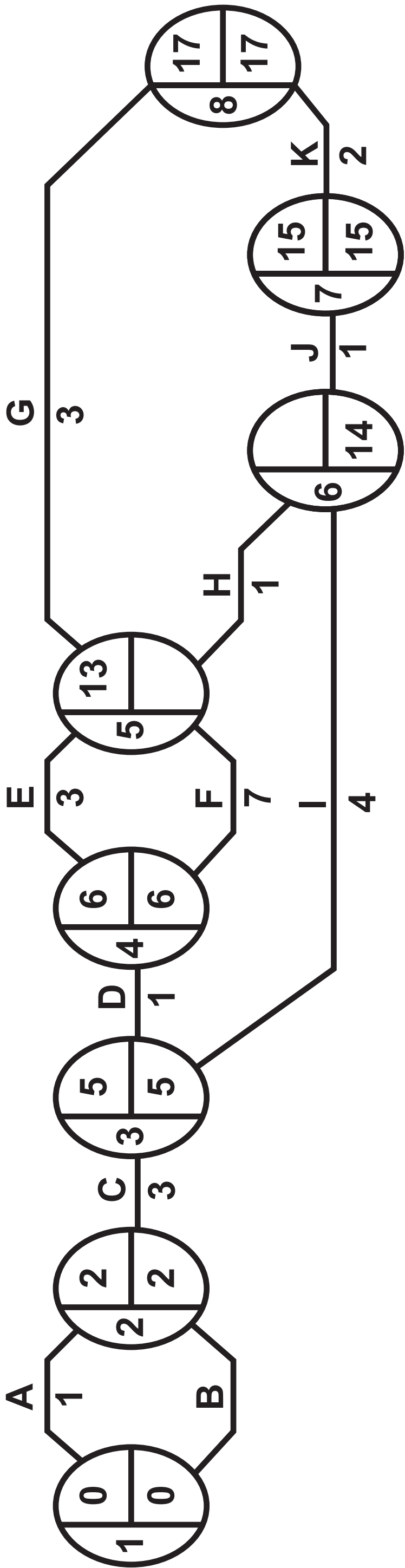
3 (d) With reference to the data and your calculations for 3(c), evaluate one way Bread and Butter Ltd could improve its liquidity. [4 marks]

- 4. Awesome Animals is a large zoo located in the UK that has a wide range of animal enclosures. The zoo is seeking further expansion and Kerry Clayton, who is the Development Manager of the zoo, is planning the opening of a new building to house a collection of reptiles and insects. To ensure the enclosure is ready to open at the start of the next season, the Board of Directors has set a deadline of 15 months for the project to be completed.**

To help Kerry manage the project and ensure the 15-month deadline is met, she has created the critical path diagram shown on pages 16 and 17:

(Turn over)

Activity		Duration (months)	Preceded by
A	Researching location options	1	–
B	Researching required habitat		–
C	Designing the enclosure	3	A, B
D	Getting quotes from building contractors	1	C
E	Building perimeter	3	D
F	Creating habitat inside including growing the required plants and trees	7	D
G	Promoting the new enclosure to the public	3	E, F
H	Training staff	1	E, F
I	Sourcing and purchasing reptiles and insects	4	C
J	Delivery of new reptiles and insects	1	H, I
K	Acclimatisation of new reptiles and insects	2	J



4 (a) Identify the following pieces of information from the diagram on pages 16 and 17:

(i) Duration of Activity B [1 mark]

**(ii) Latest finishing time of Activity F
[1 mark]**

**(iii) Earliest start time of Activity J
[1 mark]**

(Turn over)

4 (b) Mark the critical path on the diagram. [1 mark]

(c) Using the information in the diagram, recommend ONE way that the completion of the project could be brought forward to ensure the 15-month deadline is met. [4 marks]

(Turn over)

The Board of Directors has decided to increase the admission price into the zoo from £25 per adult to £28 per adult to cover some of the cost of the new enclosure. It has completed some research that suggests ticket sales will fall by 9% following the price increase.

4 (d) Calculate the price elasticity of demand for an admission ticket into the zoo. [3 marks]

(Turn over)

4 (e) Using both quantitative and qualitative information, to what extent do you think the Board of Directors is right to increase the admission price? [6 marks]

Additional space for Question 4(e) only.

(Turn over)

- 5. Suzanne and David Chapman have decided to enter the sports retail market, which includes clothing and sports accessories. They plan to set up a small number of stores initially, along with a website and then expand this further once the business is established.**

To help them with this new business, they have carried out research into the current market conditions. They have collected the data presented below to help assess the profitability of the industry, any barriers to entry they may face and opportunities and threats that may arise in the future.

General market information:

- **The UK sportswear market will grow by 20.9% over the next five years.**
- **Both innovation in sportswear products and the increasing trend to wear sportswear as casual clothing will aid this market growth.**
- **‘Athleisure’ is a new term in the industry referring to wearing sportswear as casual clothing. Experts expect the market of athleisure to grow by around 7% per year, from 2019 to 2026. The sub-category of leggings shows the greatest growth potential of 8% per year.**

- **61% of sportswear shoppers exercise at least a few times a week, however this rises among the over 55s, making it clear that there is opportunity to achieve further sales growth from mature shoppers.**
- **58.2% of sports footwear shoppers agree that the brand is important to them when purchasing an item, with the figure rising among younger consumers.**
- **A number of businesses have launched sportswear ranges including boohooMAN, Joules and Amazon's Aurique brand.**
- **There have been several ethical concerns centred around this industry, such as working conditions at Sports Direct, the unfair treatment of suppliers who make the clothing in other parts of the world, and**

(Turn over)

most recently the concept of ‘Fast Fashion’ (the mass production of cheap, poor quality clothing which is deemed unethical for the environment and for the customers that purchase them).

Competition:

- **The two largest competitors are JD Sports and Sports Direct, who have both expanded their business with a number of acquisitions of other sports and fashion brands which were struggling financially.**
- **Sports Direct remains the leader of the UK sportswear market despite experiencing some decline in its market share in recent years. However, over the past decade, it has more than doubled its revenue and its profits grew to over £1.5 billion.**

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- **JD Sports now owns several other brands including Blacks, Millets and Go Outdoors. It also promotes the brand through high profile sports sponsorships.**

FIGURE 1: Number of Sports Direct retail stores in the UK 2012–2022

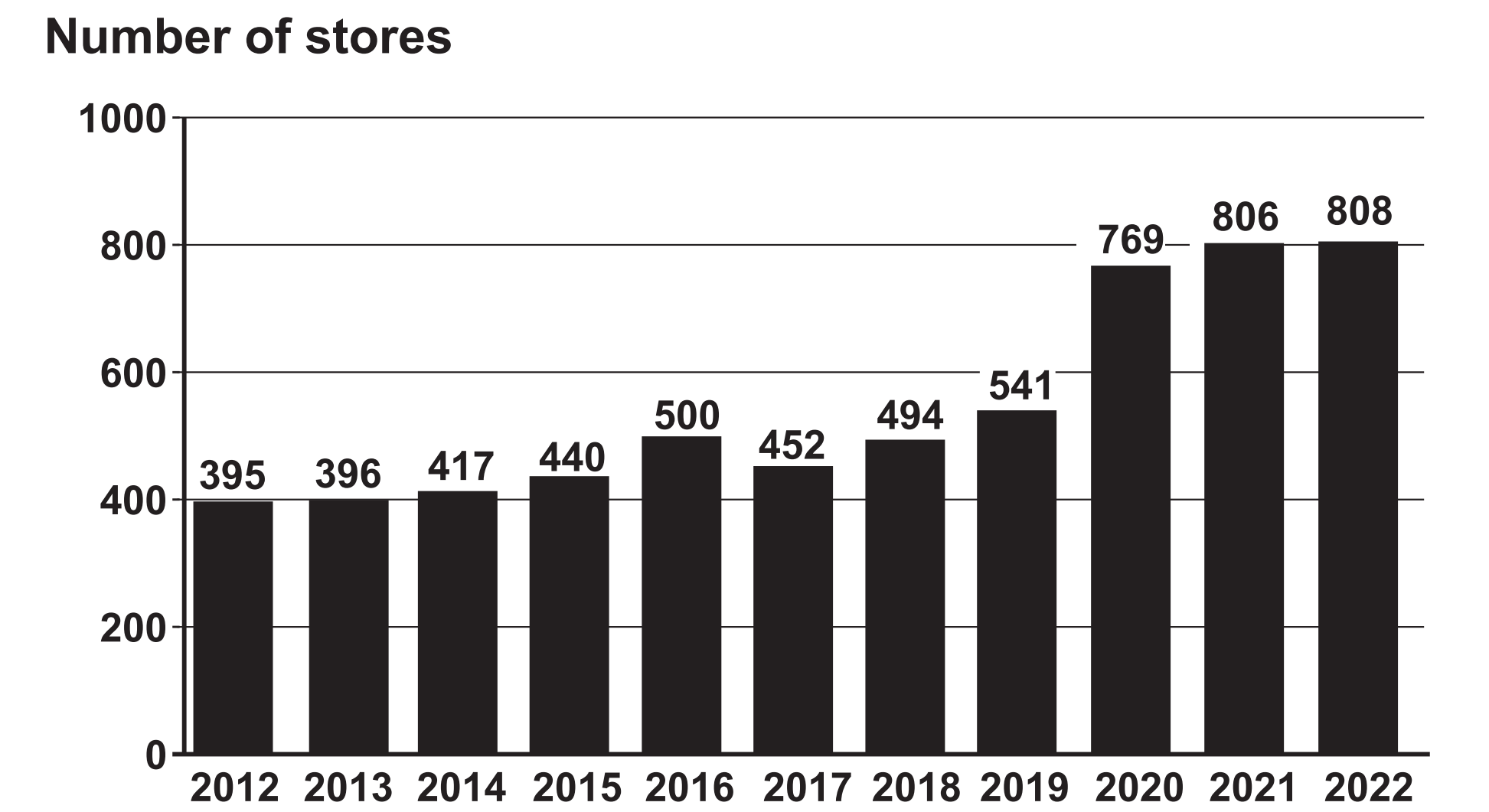
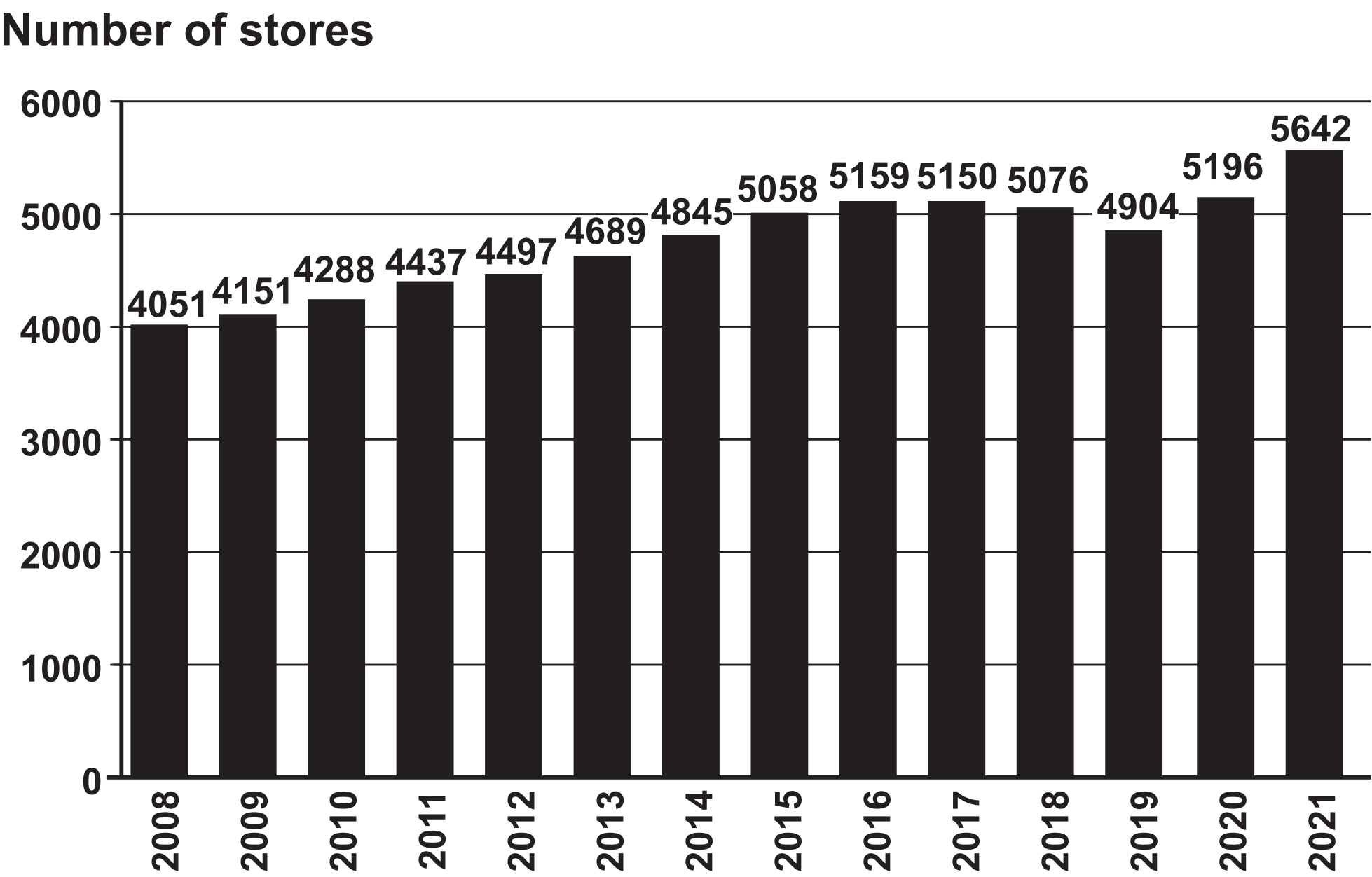


FIGURE 2: Total number of sports retail stores in the UK 2008–2021



5 (a) Using the information in FIGURE 2 (opposite), calculate the percentage change in the number of sports retail stores in the UK from 2016 to 2019.

[2 marks]

(Turn over)

5 (b) Define the term multi-channel distribution. [2 marks]

5 (c) With reference to opportunities and threats, evaluate Suzanne and David's decision to enter the sports retail market. [12 marks]

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- 6. External growth is a common method of achieving expansion in the supermarket industry.**
- A petrol forecourt business – EG Group, completed a successful £6.8bn acquisition of Asda.**
 - Sainsbury's confirmed plans to merge with Asda, which was owned by Walmart, the American discount department store and grocery business. This deal was later cancelled as the Competition and Markets Authority believed this would raise prices for consumers.**
 - Morrisons shareholders approved a £7bn takeover by an American business.**
 - Tesco acquired the wholesaler Booker as part of its backwards vertical integration strategy.**

- **The Co-op acquired the supermarket Somerfield in a £1.57bn deal.**

In comparison, other supermarkets including Aldi and Lidl have focused more on organic growth.

6 (a) Define what is meant by organic growth. [2 marks]

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6 (b) To what extent is organic growth a better option than external growth in the supermarket industry?

[12 marks]

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Additional space for Question 6(b) only.

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- 7. The BBC is a public sector organisation funded by the licence fee paid by viewers. Its mission statement is:**

‘to act in the public interest, serving all audiences through the provision of impartial, high-quality and distinctive output and services which inform, educate and entertain’.

It also sets out its values, that represent the expectations they have for themselves and each other, as follows:

- Trust is the foundation of the BBC. We’re independent, impartial and honest.**
- We put audiences at the heart of everything we do.**

(Turn over)

- **We respect each other and celebrate our diversity.**
- **We take pride in delivering quality and value for money.**
- **Creativity is the lifeblood of our organisation.**
- **We're one BBC. Great things happen when we work together.**

7. Evaluate the importance to the BBC of having a mission statement and values. [10 marks]

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