



GCE A LEVEL



A510U20-1

THURSDAY, 9 JUNE 2022 – 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.	7	
2.	11	
3.	11	
4.	17	
5.	12	
6.	22	
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.

Additional space is provided for some questions within the booklet (if required). If further space is required for any question, you should use the lined page(s) at the end of this booklet. The question number(s) should be clearly shown.

INFORMATION FOR CANDIDATES

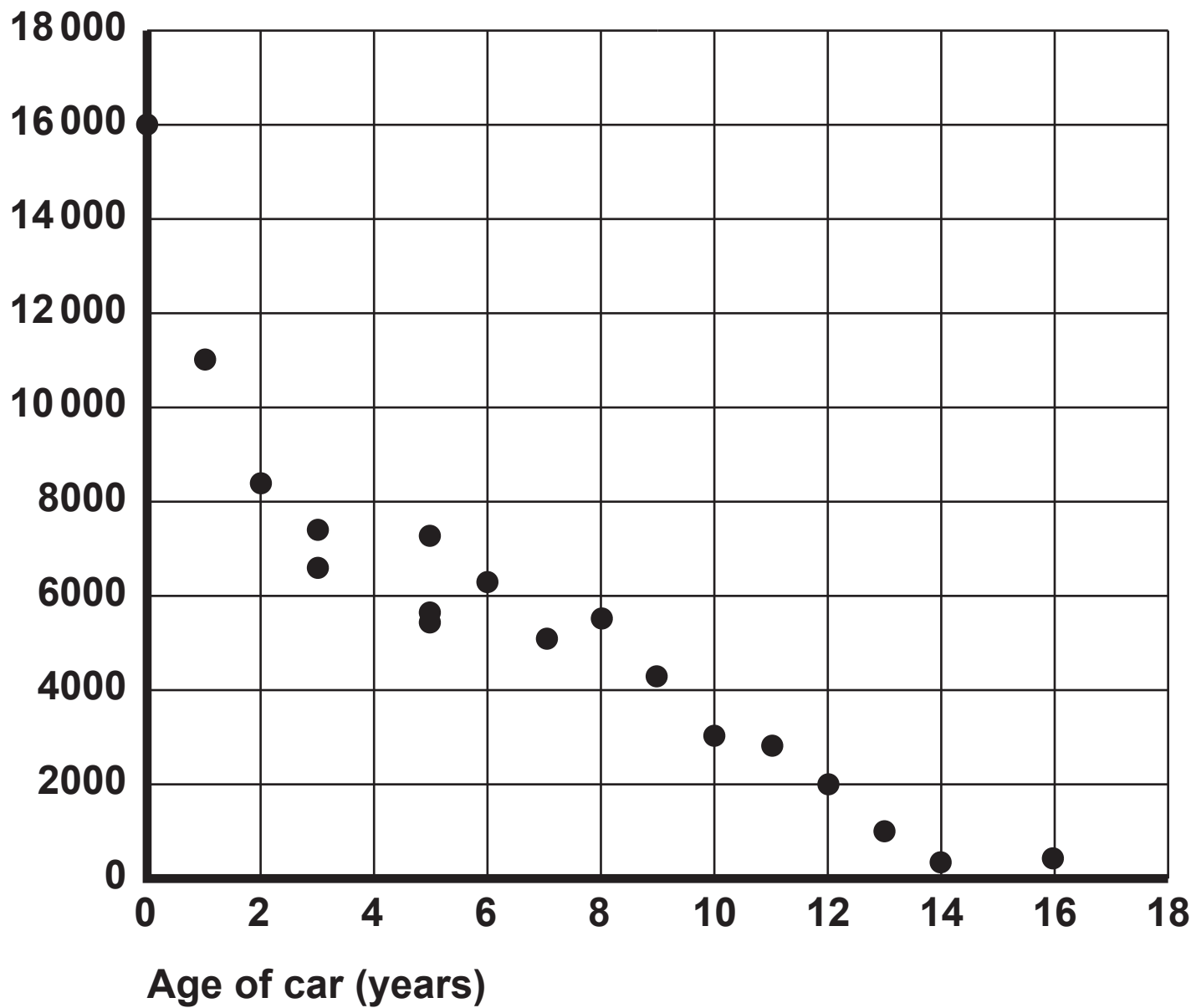
The number of marks is given in brackets at the end of each question or part-question.

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

(Turn over)

THE RELATIONSHIP BETWEEN THE AGE OF A CAR AND ITS VALUE

Value of car (£)



Answer ALL the questions in the spaces provided.

- 1. Gino is a sole trader who operates a small fast food take away business. He is hoping to start offering a pizza delivery service and is thinking of buying a small car. He is not currently sure how much he wants to spend and is slightly concerned about how much this asset will depreciate. Opposite is a scatter graph showing the value of a number of small cars at different ages.**

- (a) Outline what is meant by depreciation. [2 marks]**

(Turn over)

When it was new, one of the cars in the graph opposite the previous page was valued at £16 000 and after 8 years had a residual value of £5 800.

1 (b) Calculate the value of this car after 4 years.

[3 marks]

(Turn over)

- 1 (c) Describe the correlation between the value of a car and its age, as shown in the graph. [2 marks]**

2. The table below shows a comparison between budgeted and actual figures for a small manufacturing business that uses job production methods.

	BUDGETED (£)	ACTUAL (£)	VARIANCE (£)
SALES REVENUE	1 200 000	(i)	180 000 Adverse
RAW MATERIALS	200 000	180 500	(ii)
LABOUR	230 000	240 250	(iii)

2 (a) Outline what is meant by an adverse variance.

[2 marks]

(b) (i)

Calculate the actual sales revenue. [1 mark]

(Turn over)

Calculate the variances and state whether they are favourable or adverse.

2 (b) (ii)

Raw materials variance. [1 mark]

(iii) Labour variance. [1 mark]

2 (c) Discuss TWO ways the manufacturing business may respond to these variances. [6 marks]

[illegible]

(Turn over)

Additional space for Question 2 (c) only

TABLE 1:

	2020	2023*
Average household income level per year	£29 400	£31 200
Annual sales of the diamond and emerald necklace (units)	6 890	7 524

*** forecast figures**

The accountant also provided some key financial data from the 2020 financial accounts:

TABLE 2:

	£
Gross profit	2 600 000
Net profit	1 500 000
Shareholders' funds	8 400 000
Non-current (long term) liabilities	8 200 000

- 3. Silvers plc is a jewellery company that provides a range of jewellery items to customers throughout the UK. Amongst its wide portfolio of products, its diamond and emerald necklace is its best-selling line, despite the premium pricing strategy used.**

The company has experienced pressure from its shareholders, who are demanding higher returns, so the Board of Directors decided to hold a meeting. When reviewing past and forecasted sales figures, the accountant advised that it would be worth considering the level of income elasticity of demand. She believes that this may explain some of the sales patterns the business has experienced and help to guide decision making, particularly in relation to improving the return for its shareholders. The accountant provided the information opposite:

- 3 (a) Calculate the return on capital employed for 2020.
Show your answer to 2 decimal places. [2 marks]**

- (b) (i)**
**Calculate the income elasticity of demand for the
diamond and emerald necklace. [4 marks]**

3 (b) (ii)

Classify the type of income elasticity of demand for the diamond and emerald necklace. [1 mark]

(Turn over)

3 (b) (iii)

**Explain how the level of income elasticity
calculated above may impact Silvers plc. [4 marks]**

(Turn over)

- 4. Muddy Boots Ltd manufactures and sells a range of footwear for a variety of outdoor activities, including hiking, horse riding, rugby and football. It is well established and has an online presence, as well as several retail outlets in locations around the UK. The Board of Directors is made up of three brothers who started the company together, who are considering further ways for the business to grow. The youngest brother, who is the marketing director, makes quick decisions and believes they should try to expand into the French market due to limited competition. However, the eldest brother, who is the financial director thinks that when making strategic decisions they would be better using scientific decision-making tools.**

- (a) Explain why scientific decision-making tools are appropriate when making strategic decisions.**

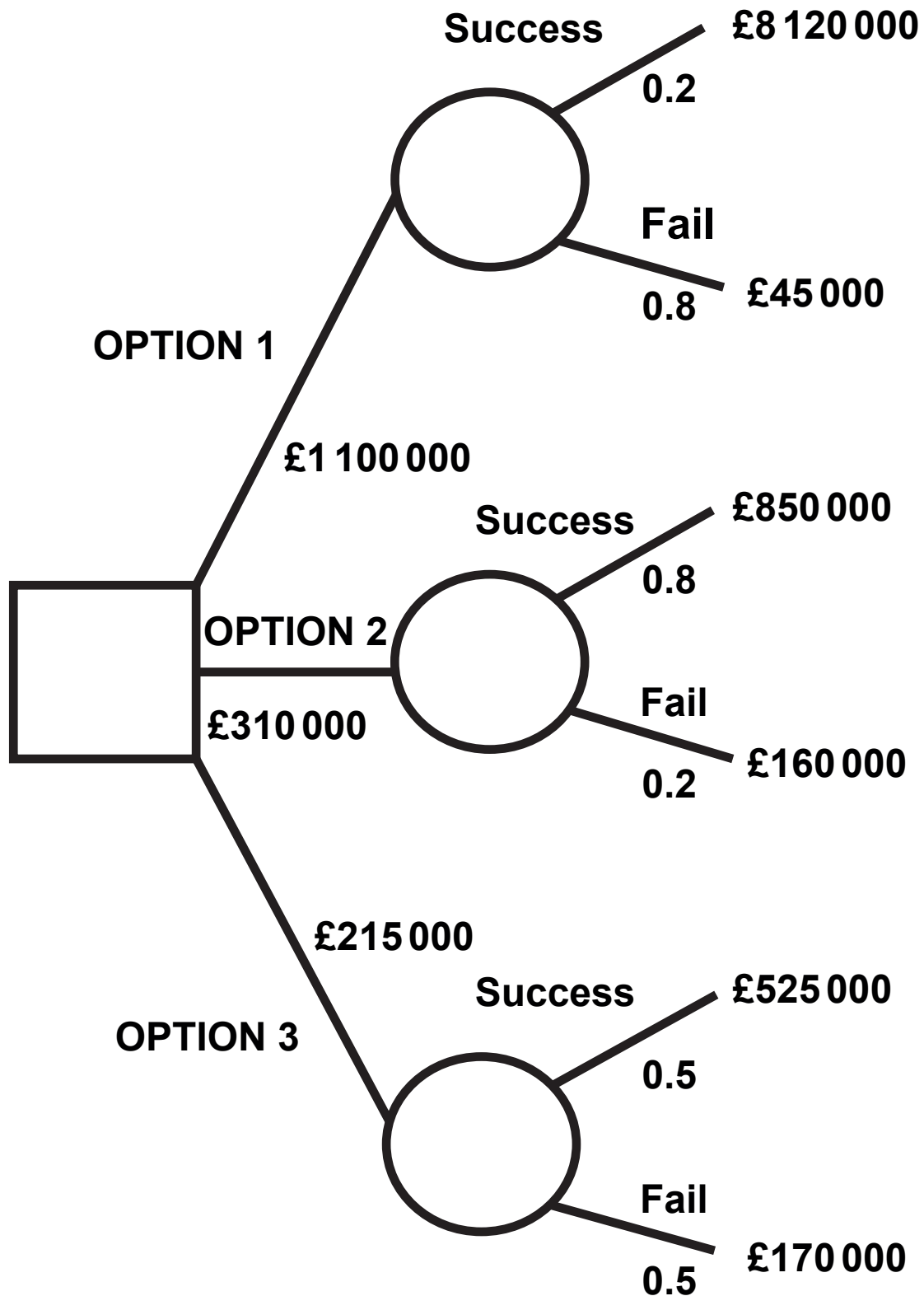
[4 marks]

(Turn over)

The brothers are considering three options to grow the business:

OPTION 1	Takeover an existing French footwear business.
OPTION 2	Widen the product portfolio by developing new footwear for a range of water sports such as kayaking, sailing or windsurfing.
OPTION 3	Develop a new range of footwear for the fashion market including trainers, flip flops and high heels.

To help them make this decision, they have started to create a decision tree diagram.



4 (b) Calculate the final net return of each option.

[3 marks]

(Turn over)

4 (c) Evaluate the three options to grow the business using quantitative and qualitative information and advise Muddy Boots Ltd on the best option.

[10 marks]

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

(Turn over)

Additional space for Question 4 (c) only

[illegible]

(Turn over)

- 5. Müller UK & Ireland is owned by a German company, which employs 24 000 people throughout Europe. In the UK, Müller UK & Ireland develops, manufactures and markets a wide range of branded and private label dairy products made with milk from more than 1 650 British farms. (Private label means that Müller produces products on behalf of other companies who put their own label onto the products).**

The Müller brand is the 8th most chosen brand in the UK, picked from shelves more than 217 million times each year.

Müller UK & Ireland comprises three business units:

- Müller Milk & Ingredients is Britain's largest producer of branded and private label fresh milk and other dairy products, with a network of dairies and depots servicing customers throughout the country.**
- Müller Yogurt & Desserts is the UK's leading yogurt manufacturer responsible for major brands like Müllerlight, Müller Corner and Müller Rice. It produces chilled desserts and yoghurts for other large companies.**

- **Milk & More delivers daily essentials to more than 500 000 homes in England, via a network of 53 local fulfilment centres. The milkman is arguably the original home delivery service and Milk & More is ensuring that this great British tradition continues.**

Source: <https://www.muller.co.uk/about-muller/muller-uk-ireland/>

- 5 (a) Outline what is meant by market development according to the Ansoff Matrix, giving an example from the text above. [2 marks]**

5 (b) Discuss how the Ansoff Matrix may be of use to Müller UK & Ireland. [10 marks]

[illegible]

(Turn over)

(Turn over)

The logo for 'the easy family of brands' is displayed within an orange rectangular box. The word 'the' is in a lowercase, sans-serif font. 'easy' is in a bold, lowercase, sans-serif font, followed by a registered trademark symbol (®). Below 'easy' is the phrase 'family of brands' in a lowercase, sans-serif font.

6. **easyGroup Holdings Ltd is a company owned by Sir Stelios Haji-Ioannou that controls the ‘easy family of brands’ which is most famous for its airline – easyJet. However, several other brands operate under this company including easyPizza, easyMobile and easyHotel.**

easyHotel is the owner, developer, operator and franchisor of its hotels. Its strategy is to target the ‘super budget’ segment of the hotel industry by marketing clean, comfortable and safe hotel rooms to its customers, and currently has 37 hotels in the UK and Europe, 25 of which are operated by franchisees.

easyHotel's mission statement is 'to make being there accessible for everyone. We aim to provide a great place for a good night's sleep, in a great location, at a great price. Nothing more and nothing less!'.

In line with its ambitious growth strategy, easyHotel continues to target carefully selected locations to expand its portfolio of self-managed and franchised hotels. It believes the opportunity to develop its portfolio in key European cities is significant and its newly established European development team has been focussed on pursuing opportunities in these markets.

For self-managed hotels (hotels owned and run by easyHotel) easyHotel believes there is potential for 12 000 more hotel rooms primarily in the UK, France and Spain with an additional opportunity for 15 000 more franchised hotel rooms across the UK, Europe and the Middle East.

6 (a) Evaluate the usefulness to the stakeholders of easyHotel having a mission statement. [10 marks]

[illegible]

(Turn over)

Additional space for Question 6 (a) only

[illegible]

(Turn over)

6 (b) To what extent is franchising an appropriate method of growth for easyHotel? [12 marks]

(Turn over)

Additional space for Question 6 (b) only

[illegible]

(Turn over)

END OF PAPER

Question number	Additional page, if required. Write the question numbers in the left-hand margin.

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