AQA

Please write clearly in block capitals.

Centre number	
Candidate number	
Surname	
Forename(s)	
Candidate signature	

I declare this is my own work.

A-level
BUSINESS

Paper 2 Business 2

Tuesday 20 May 2025 Morning Time allowed: 2 hours

Materials

For this paper you must have:
- a calculator.

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).
- Do all rough work in this answer 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 100.

For Examiner's Use	
Question	Mark
1.1	
1.2	
1.3	
1.4	
2.1	
2.2	
2.3	
2.4	
3.1	
3.2	
3.3	
TOTAL	

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

0 1 Read the information below and then answer the questions that follow.

SCF

SCF is a UK-based manufacturer of components that are sold to UK and EU businesses which use them to produce computers. It has strong relationships with its small number of customers. However, recent vertical and horizontal mergers involving other firms in the sector have reduced the number of buyers. As a result, there are fewer opportunities to win new contracts. Furthermore, many of the biggest computer manufacturers only want to deal with large suppliers. Some manufacturers will only purchase components made in the European Union (EU).

SCF's owners are increasingly concerned about falling sales and profit margins. They recently appointed a new Chief Executive who set out a vision for ambitious growth. The growth plans focus on supplying directly to EU manufacturers from a new factory in Spain. This factory would replace the existing UK site, where efficiency has been falling.

Appendix A Extract from SCF's cash flow forecast

	October 2025 (£m)	**November 2025 (£m)**
Total inflows	3.24	3.35
Total outflows	3.11	3.22

Note: The closing balance for 31 October is £4.30 million.

Appendix B Financial information for SCF, 2022–2024

Year	**2022**	**2023**	**2024**
Inventory turnover (times)	5.9	5.6	5.2
Operating profit (£m)	0.92	0.71	0.63
Non-current assets (£m)	7.3	7.5	8.2
Non-current liabilities (£m)	3.1	2.9	2.8
Capital employed (£m)	9.3	10.0	10.2

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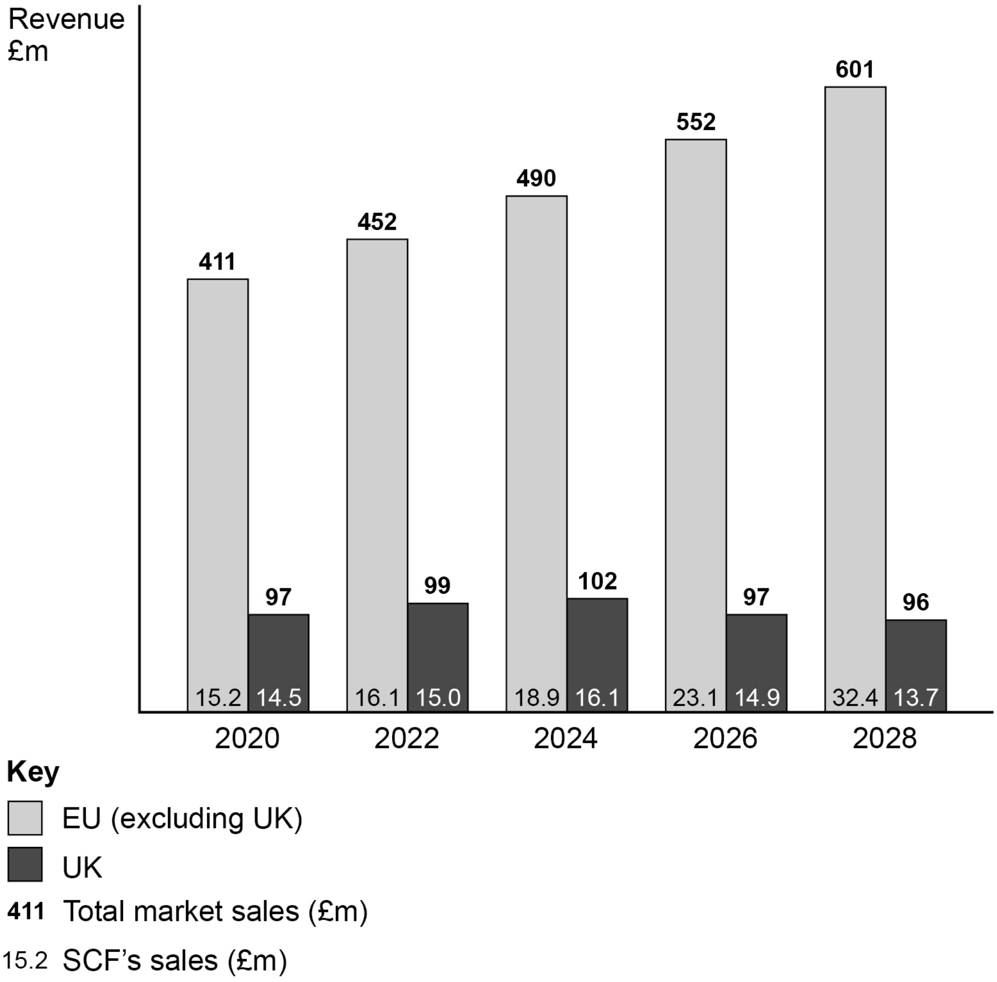
Appendix C Value of total market and SCF's sales in different markets, 2020–2028



Note: Values for 2026 onwards are forecasts. These do not take into account the plan to move production to Spain.

Appendices continue on the next page

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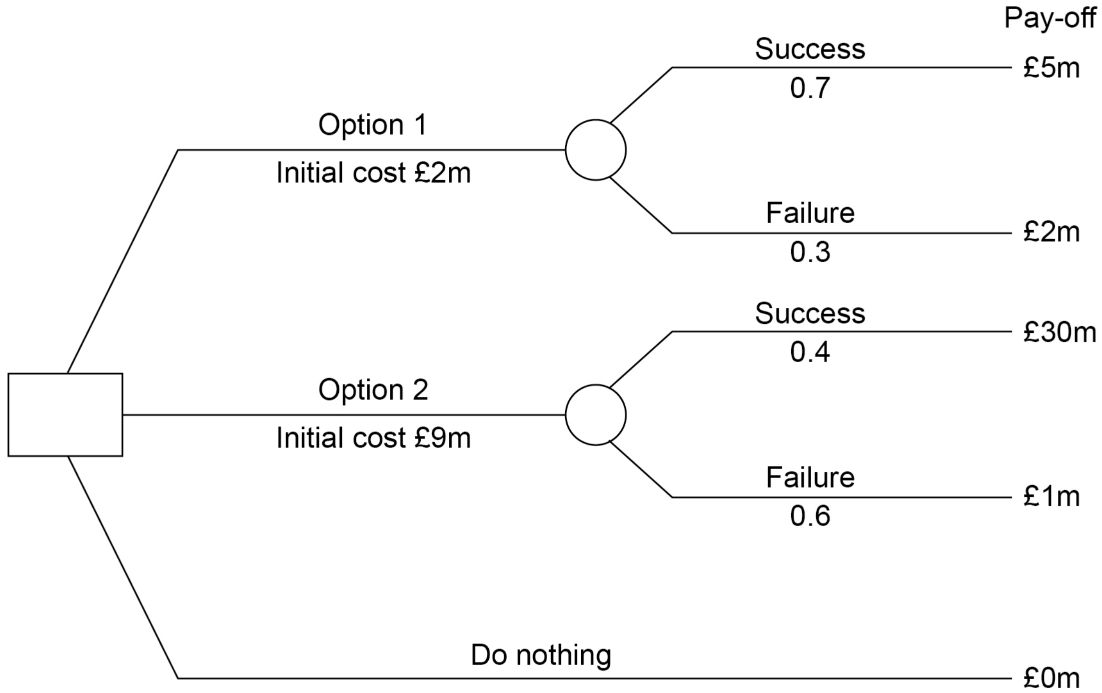
Appendix D Decision tree showing outcomes of different strategic options predicted by SCF's sales forecasting

Option 1: Upgrade existing UK factory
Option 2: Build new factory in Spain



Appendix E Forecasts for selected economic variables, 2025–2028

	2025	**2026**	**2027**	**2028**
UK GDP growth (%)	+0.2	+1.2	+0.6	+1.3
EU GDP growth (%)	+3.1	+3.6	+4.2	+5.1
UK unemployment (%)	5.5	6.2	7.1	7.0
UK interest rates (%)	5.4	5.2	5.5	6.1
Value of the £ in euros	€1.18	€1.10	€1.03	€1.00

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0 1 . 1 The data in **Appendix A** assumed all customers would make immediate payments. With effect from 1 November, customers will be given one month's credit.

Calculate SCF's closing balance for November, assuming all customers take advantage of the new payment terms.

[3 marks]

3

0 1 . 2 Explain **one** possible reason for the change in inventory turnover shown in **Appendix B**.

[4 marks]

4

Question 1 continues on the next page

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0 1 . 3 Using **Appendix D** and the other information available, analyse why SCF chose **Option 2**.

Your answer should include quantitative and qualitative information.

[9 marks]

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0 1 . 4 To what extent do the changes in the economic environment create more threats than opportunities for SCF?

Use **Appendix E** and the other information provided in your answer.

[16 marks]

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0 2 Read the information below and then answer the questions that follow.

Seebus plc

Seebus plc is a food retailer that has used organic growth to expand. It now has 110 stores spread across the UK. The company competes with larger supermarkets by positioning itself as offering higher quality products and better customer service.

To differentiate itself, Seebus plc offers:

- a luxury range of 'own-brand' goods
- some branded goods which are market leaders in their particular categories.

The company focuses on a smaller range of products than its largest rivals and relies on being able to achieve higher gross profit margins. Seebus plc is aware that it cannot compete purely on price with much larger rivals in the mass market.
Seebus plc operates a 'Just in Time' system of inventory management, as do all major competitors in the market. It recently introduced software which integrates inventory management with marketing, production, transport logistics and the supply chain.

Recently, the results of employee satisfaction surveys have shown rising levels of unhappiness with pay and working conditions. Labour turnover has also increased dramatically. In 2023, Seebus plc employed an average of 6000 employees. During 2023, 960 employees left Seebus plc, whilst only 720 new employees joined the company. Seebus plc had always taken pride in its excellent relationships with employees, paying wages well above those of its main rivals. Recently, competitors have significantly increased employee pay rates. Employees are also unhappy about changes to shift patterns and the way they are supervised. Ajinder, the Chief Executive, plans to address the findings of the employee surveys. The plans include implementing a new package including:

- personalised career development plans
- improved training.

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0 2 . 1 Calculate the rate of labour turnover for Seebus plc in 2023.

[3 marks]

3

0 2 . 2 Explain **one** reason why Seebus plc uses a 'Just in Time' system of inventory management.

[6 marks]

6

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0 2 . 3 Use Herzberg's theory to analyse why Ajinder's plan may **not** improve motivation levels at Seebus plc.

[9 marks]

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0 2 . 4 Seebus plc targets its marketing towards higher income customers.

Should **all** businesses segment their markets based on income?

Justify your view.

[16 marks]

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0 3 Read the information below and then answer the questions that follow.

Dodo

Dodo is a small, growing, low-cost airline offering flights between the UK and Europe. The airline is seeing high demand for its flights due to its competitive pricing. It is able to keep its prices low due to its low-cost business model. The business model includes:

- making effective use of its non-current assets by using quick turnaround times which allow its planes to fly more hours a day than traditional airlines
- flying to cheaper airports rather than larger, more expensive airports such as London Heathrow
- using its own website for customers to book directly, avoiding the need to pay commission to other businesses
- making food, baggage and choice of seat optional extras rather than including them in the basic product offering.

Dodo currently has around 5000 permanent staff and sees its staff as key to the quality of service that it offers. Airline staffing needs are complex with a variety of different roles required. Some roles such as pilots and aircraft engineers require significant training that can take many months to complete. In addition, many staff spend most of their working day away from the company offices. Dodo sets and regularly reviews HR objectives in relation to:

- number of employees
- employee engagement.

Measures of quality that Dodo focuses on are:

- punctuality, measured using percentage of flights on time
- customer complaints, measured by number of complaints per 1000 customers.

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0 3 . 1 Analyse why Dodo sets HR objectives in relation to the number of employees and employee engagement.

[9 marks]

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0 3 . 2 Analyse how Dodo would benefit from being the best in its market for its chosen quality measures.

[9 marks]

Extra space

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0 3 . 3 Using non-current assets as fully as possible is the best way to gain low-cost advantage.

To what extent is this true for **all** low-cost businesses?

[16 marks]

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