

Surname	Centre Number	Candidate Number
First name(s)		2



GCE A LEVEL

A510U20-1



S25-A510U20-1



TUESDAY, 20 MAY 2025 – MORNING

BUSINESS – A level component 2
Business Analysis and Strategy

2 hours 15 minutes

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	3	
2.	10	
3.	14	
4.	18	
5.	15	
6.	20	
Total	80	

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01

ADDITIONAL MATERIALS

A calculator. A ruler.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen. Do not use gel pen or correction fluid.

You may use a pencil for graphs and diagrams only.

Write your name, centre number and candidate number in the spaces at the top of this page.

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).

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.

1. Define the terms aims and objectives and explain their relationship. [3]

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2. The Everything Shop Ltd is a distribution company that acts as an intermediary between manufacturers and retailers across a wide range of products and markets. It buys large quantities of stock from manufacturers, which it stores in its warehouses before delivering to retailers, often in bulk. It works with over 300 different retailers, offering varying credit terms and selling prices. Below is an extract from its balance sheet.

Balance sheet extract for The Everything Shop Ltd 2023–24

	£(m)
Non-current assets (Fixed assets)	542
Current assets	328
Current liabilities	262
Non-current liabilities (Long-term liabilities)	192
Net assets	?
Shareholders' funds	416

- (a) Describe the term working capital. [2]

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Additional space for Question 2(d) only.

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3. Lightable Logs Ltd is a company that delivers firewood to consumers' homes for burning in their wood burners. In recent years, it has seen an increase in sales, driven by rising home energy prices and the popularity of wood burners as a home feature.

Its previous sales information is shown in the table below:



	2017	2018	2019	2020	2021	2022	2023	2024
Sales Revenue (£000's)	538	656	696	742	824	852	838	890
Three-point moving average		630	698		806	838	860	

In order to forecast sales, Lightable Logs Ltd has decided to use a quantitative forecasting method rather than a qualitative technique such as the Delphi method.

- (a) Outline what is meant by the Delphi method.

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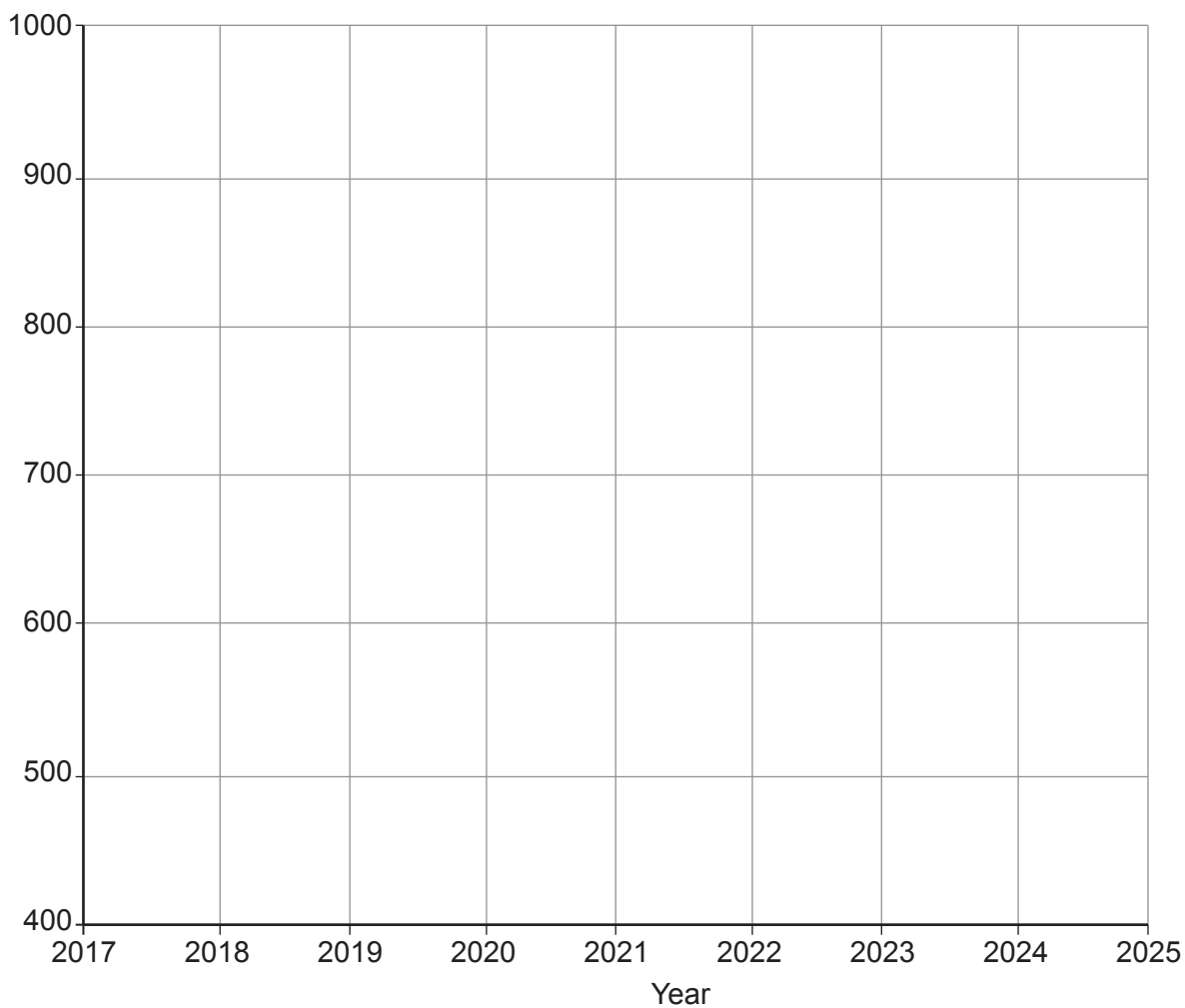
- (b) Complete the table by calculating the three-point moving average for 2020.

[1]



(c) Plot the three-point moving averages on the graph provided and draw a line of best fit. [2]

Sales Revenue



(d) Use the line of best fit to predict the sales revenue for 2025. [1]

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Additional space for Question 3(e) only.

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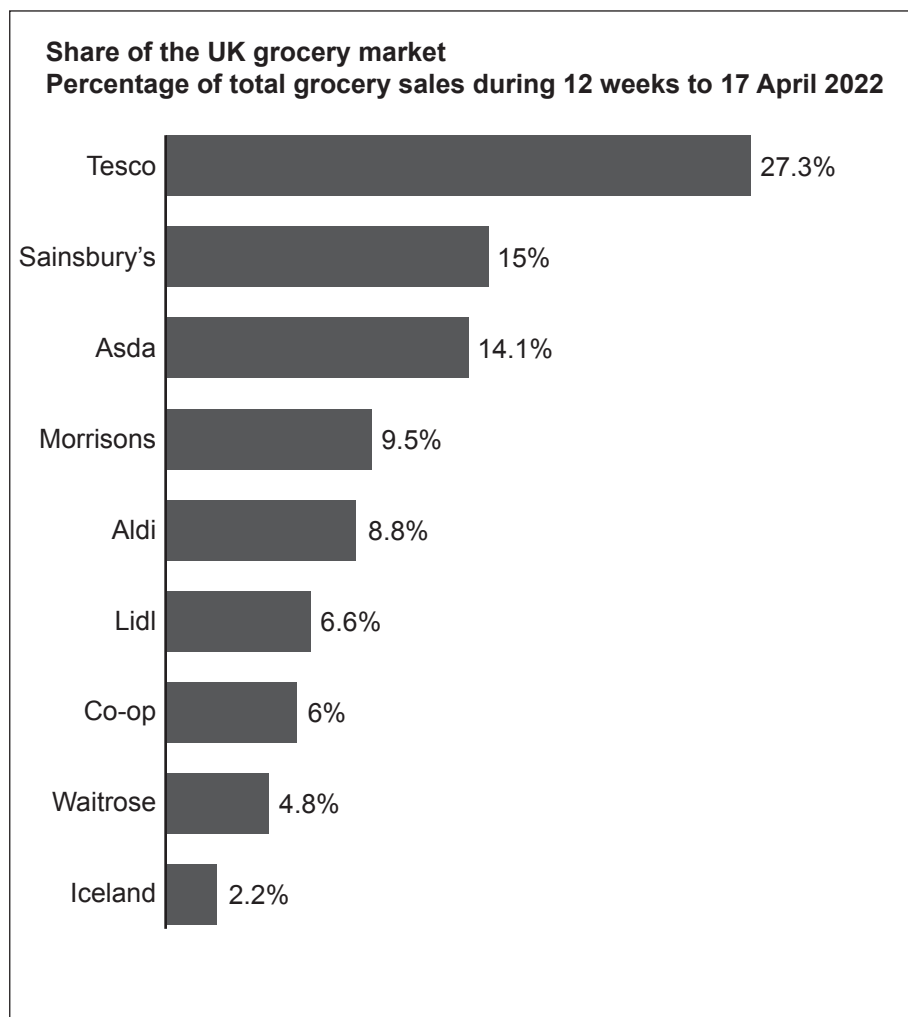


4. In 2022, the UK experienced high levels of inflation, which caused a large number of shoppers to change the way they bought their groceries. According to a market research company, Aldi and Lidl benefited the most from this in the 12 weeks leading up to 17 April 2022.

A BBC article said:

“Aldi was the fastest growing retailer during the period the data covers, with its sales increasing by 4.2% over the 12-week period. This was closely followed by Lidl, which was up 4%. More than one million extra shoppers visited the two retailers respectively, over the period compared with this time last year. Tesco was the only other retailer to increase its market share, growing by 0.3%, to 27.3% of total grocery sales.”

Figure 1:



Aldi has seen huge growth in the UK, and its market share has increased from about 5% in 2014 to the figures shown in **Figure 1**. Later in 2022, it increased its market share to overtake Morrisons to become the fourth largest UK supermarket. It also had the most positive brand recognition in 2019 and claims to be carbon neutral since 2019. It employs around 35 000 people in the UK. As part of its ambitious UK growth strategy, it announced in 2021 that it aimed to spend an additional £3.5bn with UK suppliers, and that it will support its small suppliers with immediate payment of invoices.

- (a) Apart from market share, explain two non-financial measures that Aldi may use to evaluate its performance.

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Additional space for Question 4(a) only.

- (b) Using Porter's Five Forces framework, evaluate the position of Aldi in the UK grocery market. [12]



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Additional space for Question 4(b) only.

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5. Bill Rhodes is a sole trader running a dairy farm on the outskirts of a quiet village in Devon. The farm has been in Bill's family for three generations, but the increased power of supermarkets to drive down prices has made profit margins for milk and other crops smaller in recent years and so Bill has decided he would like to diversify his farm. He has come up with two options:

Option 1: Create a gin distillery in one of the old disused barns to manufacture small amounts of gin to sell in local shops, using crops and flavourings grown on the farm. He has seen the huge growth in the gin market over the last 20 years, and a recent change in government law on the production of gin has meant smaller production levels are now much more profitable. Previously the law only allowed mass production and put a minimum number of litres on each batch made.

Option 2: Open the farm up to visitors with various attractions including petting and feeding the animals, a maze in the corn field and tractor rides. His friend has done this on his local farm, and it is proving very popular.

As this is an expensive, long-term decision, he will need to take out a loan to fund either option. Bill has put together some financial information to help make the decision. **Table 1** shows the projected net cash flows for each option:

Table 1:

	Option 1 Gin distillery (£)	Option 2 Visitor attraction (£)
Initial cost	(140 000)	(220 000)
Year 1	22 000	50 000
Year 2	28 000	65 000
Year 3	40 000	80 000
Year 4	50 000	100 000
Year 5	45 000	95 000

Table 2: Discount factors over 5 years at 6%

Year	Discount rate of 6%
1	0.94
2	0.89
3	0.84
4	0.79
5	0.75



(a) Calculate the payback period for both options.

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(b) Using the discounted cash flow method of investment appraisal, calculate the net present value for both options.

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Additional space for Question 5(c) only.

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6. Pristine Clean is a car valeting service. These valets (a deep clean of the car) can happen on its site or at a location chosen by the customer. It offers a range of valet services from a basic valet at £10 up to the luxury service at £75. It also has a garage offering basic car services like changing the engine oil, fitting new windscreen wiper blades and replacing light bulbs. It is well known in the local area for its special offers including loyalty schemes.

After 5 successful years, the owner is looking to expand the business, as the demand for valets at the current site has stopped growing. The owner is considering the following strategic decisions:

Option 1:

Remain on the current site and hire two fully qualified mechanics to be able to offer more advanced mechanical services such as MOT's (a legally required safety check for a vehicle) and tyre changes. The owner feels like this will also bring more business to the valet part of the business.

Option 2:

Open up a second site located on the other side of town similar in size to the current location. This will offer the same services with the aim of increasing its customer base. The owner is worried this may make the workload of running both sites unmanageable.

Option 3:

Relocate the whole business to a much bigger premises in a busier part of town. After some initial market research, the closest appropriate site is 15 miles away from the current site.

Some additional information on each option is given below:

	Cost (£)	Likelihood of success	Return if successful (£)	Return if the option fails (£)
Option 1	120 000	0.8	300 000	80 000
Option 2	170 000	0.4	650 000	150 000
Option 3	250 000	0.4	850 000	205 000

- (a) Outline what is meant by a strategic decision.

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(b) Using the decision tree diagram, calculate:

(i) the probability of failure for each option. [1]

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(ii) the net return of each option. [3]

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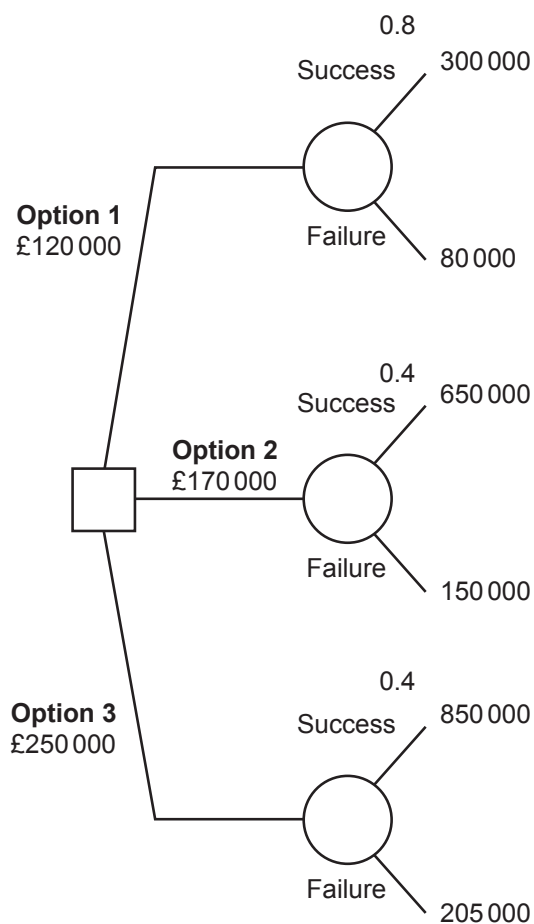
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- (c) With reference to your calculations, advise Pristine Clean on the best option to take. [2]

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- (d) Evaluate the potential decision of relocation (**Option 3**) for Pristine Clean and its stakeholders. [12]

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Additional space for Question 6(d) only.

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END OF PAPER



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