You do not need any other materials.

Instructions

• Use black ink or ball-point pen.
• Fill in the boxes at the top of this page with your name, centre number and candidate number.
• Answer all questions.
• Answer the questions in the spaces provided
  – there may be more space than you need.

Information

• The total mark for this paper is 90.
• The marks for each question are shown in brackets
  – use this as a guide as to how much time to spend on each question.
• Questions labelled with an asterisk (*) are ones where the quality of your written communication will be assessed
  – you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.
• A calculator may be used.

Advice

• Read each question carefully before you start to answer it.
• Try to answer every question.
• Check your answers if you have time at the end.
SECTION A

Answer ALL the questions. You should spend 40 minutes on this section.

Some questions must be answered with a cross in a box ✗ If you change your mind about an answer, put a line through the box ✗ and then mark your new answer with a cross ✗.

1. Figure 1 shows a diagram of the Boston Matrix.

![Boston Matrix Diagram]

(a) Which element of the Boston Matrix is represented by box Y?

Select **one** answer.

- □ A  Cash cow
- □ B  Dog
- □ C  Problem child/question mark
- □ D  Star

(b) Identify **two** stages of the product life cycle.
(c) Outline **one** disadvantage to a business of conducting market research.  

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(d) Explain **one** benefit to a business of using Just In Time (JIT) stock control.  

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(Total for Question 1 = 8 marks)
Tinc Ltd is a retailer of funky stationery, gifts and gadgets and was set up in 2011. It now produces and retails over 450 products, such as unusual erasers and perfumed pencils. Initially, Tinc only sold these products through its own website. However, it has since opened up 25 shops across England and Wales.

The company’s name comes from a combination of the words ‘Think, Inspire and Create’. Tinc wants to sell unusual types of stationery compared to established retailers such as WHSmith.

(Source: adapted from http://startups.co.uk/startups-awards/product-business-of-the-year-finalist-2013-tinc/)

In order to produce its funky stationery, Tinc considered the design mix. This is shown in Figure 2.

![Design Mix Diagram](image)

**Figure 2**

(a) Which part of the design mix is represented by the letter X?

Select one answer.

- [ ] A  Cost
- [ ] B  Price
- [ ] C  Profit
- [ ] D  Quality
(b) State **three** methods *Tinc* could use to differentiate its products from those of its competitors.

1. 

2. 

3. 

(c) Explain **one** benefit to *Tinc* from continuing to sell its products through its own website.
(d) Explain one method *Tinc* could use to encourage repeat purchase of its products.

(Total for Question 2 = 10 marks)
Wagamama Ltd is a Japanese-inspired restaurant group well known for its noodle dishes and katsu curries. During 2015, Wagamama increased its revenues to £193m and made a profit of £30.3m.

Wagamama’s chief executive believes that diners are attracted to its restaurants because of its lively open kitchens, which involve chefs flipping food in flaming woks. Wagamama plans to open 45 new restaurants in the UK during 2016.

(Source: adapted from http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/leisure/11759122/Wok-tossing-Wagamama-sales-rise-as-it-downplays-float-talk)

(a) *Wagamama* has lively open kitchens where chefs flip food in flaming woks. This is likely to be a source of:

Select one answer.

- [ ] A competitive pricing
- [ ] B promotion
- [ ] C quality assurance
- [ ] D quality control

During the preparation of food, *Wagamama’s* chefs have to follow health and safety regulations.

(b) Outline one impact that health and safety regulations may have on *Wagamama*.

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(c) Explain one drawback to *Wagamama* of using profit as a source of finance for expansion.

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In 2016 *Wagamama* launched an iOrder app. This allows customers in the restaurant to place orders and pay their bills using mobile phones.

(d) Describe how the iOrder app could improve productivity at *Wagamama*.

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(Total for Question 3 = 10 marks)
The *Yorkshire Crisp Company Ltd* is a regional potato crisp manufacturer based in Rotherham, South Yorkshire. It packages its crisps in tubs. Rivals such as *Walkers* and *Golden Wonder* use packets.

The *Yorkshire Crisp Company*’s first large order came when its sales team won a contract to supply 17 *Sainsbury’s* supermarkets across Yorkshire.

(Source: adapted from http://www.yorkshirelife.co.uk/food-drink/its_crunch_time_for_yorkshire_crisp_lovers_1_1633226)

(a) Identify **one** method the *Yorkshire Crisp Company* could use to improve its cash flow.

Select **one** answer.

1. **A** Allow *Sainsbury’s* to pay later
2. **B** Pay potato farmers earlier
3. **C** Purchase new machinery
4. **D** Reduce its stocks of potatoes

(b) Outline **one** method the *Yorkshire Crisp Company* could use to motivate its sales team.
(c) Explain one advantage to the Yorkshire Crisp Company of using tubs to package its crisps. (3)
In order to increase its profitability, the Yorkshire Crisp Company considered two options:

**Option 1:** Increase prices

**Option 2:** Introduce new crisp flavours.

(d) Which of these two options do you think would be most effective in allowing the Yorkshire Crisp Company to increase its profitability? Justify your answer.

(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS
SECTION B
Answer ALL the questions.

You should spend 30 minutes on this section.

Read the following passage carefully and then answer questions 5 and 6.

5 (a) What is meant by the term variable costs?

(2)
(b) Identify one drawback to the Cornish Cheese Company of producing a high-quality product.

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(c) Explain one advantage to the Cornish Cheese Company of using its own milk.

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(d) State one possible benefit and one possible drawback to the environment if the Cornish Cheese Company builds the proposed wind turbine. For each, explain the likely effect on the environment.

Benefit

Explanation

Drawback

Explanation

(Total for Question 5 = 14 marks)
Figure 3 shows the weekly break-even diagram for the *Cornish Cheese Company*.

![Break-even diagram](image)

**Figure 3**

(a) What is meant by the term **break-even point**?

(2)
The Cornish Cheese Company produces 4,000 kgs of Cornish Blue per week.

(b) (i) Using Figure 3, calculate the weekly margin of safety. Show your workings and the formula used.

(3)

The Cornish Cheese Company has weekly fixed costs of £10 000. It sells Cornish Blue at a price of £10 per kg. The variable cost of producing Cornish Blue is £6 per kg.

(ii) Calculate the weekly profit the Cornish Cheese Company would make if it produced and sold 4,000 kgs of Cornish Blue per week. Show your workings and the formula used.

(3)
*(c)* Assess the impact on the *Cornish Cheese Company* from using debt as a source of finance for expansion. (8)

(Total for Question 6 = 16 marks)

TOTAL FOR SECTION B = 30 MARKS
In 2016 UK supermarket group Tesco was losing customers to rival supermarket groups Lidl and Aldi. In order to try and keep its customers, Tesco decided to rebrand its value range of products using a variety of ‘British sounding’ fake farm names. For instance, value beef products are now sold using the ‘Boswell Farms’ brand name and value vegetables are marketed using the ‘Redmere Farms’ brand name. Several pressure groups described Tesco’s branding change as misleading and unethical since most of Tesco’s farm produce is imported from outside of the UK. However, Tesco argued that it had done nothing illegal and was simply copying Aldi and Lidl’s marketing practices.

In 2015, Tesco’s sales fell by 3% leading to a record loss of £6.4bn. In April 2016 Tesco’s costs are expected to rise due to the increase in the National Minimum Wage from £6.70 to £7.20 per hour for all workers above the age of 25. The company employs 472,000 workers in the UK.

7 What is meant by the term **ethics**?

(Total for Question 7 = 2 marks)

8 Outline one impact pressure groups may have on Tesco.

(Total for Question 8 = 2 marks)
Discuss the likely effects of the increase in the National Minimum Wage on Tesco.

(Total for Question 9 = 6 marks)
**10** Using your knowledge of business, assess the likely impact on Tesco’s competitiveness of the introduction of its new farm brands. (10)
(Total for Question 10 = 10 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 90 MARKS