Surname	Centre Number	Candidate Number
Other Names		2



GCE A LEVEL

1510U30-1



BUSINESS – A2 unit 3 Business Analysis and Strategy

THURSDAY, 7 JUNE 2018 – AFTERNOON 2 hours 15 minutes

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	14	
2.	18	
3.	16	
4.	8	
5.	8	
6.	16	
Total	80	

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

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. If you run out of space, use the continuation pages at the back of the booklet, taking care to number the question(s) correctly.

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.

Answer all the questions in the spaces provided.

1. The Secret Yurts

The Secret Yurts provides luxury camping accommodation, known as 'glamping', in mid-Wales.

The business has five yurts which are fully booked during the summer months. Each yurt has been superbly furnished, sleeping two people with handmade king-size beds. The yurts all have beautiful views of the Welsh mountains. Nearby is a separate building containing five private luxury wet-rooms, one for each yurt, and a fully equipped kitchen. Each yurt has a portable barbecue with supplies available on-site.

Three of the yurts have top of the range hot tubs which connect via bluetooth to phones so guests can create a play list to enjoy whilst they bathe. All guests have access to a sauna during their stay which can accommodate up to four people at one time. The price for a two-night stay in the yurts without hot tubs is £260. The yurts with private wood-fired hot tubs are priced at £320 for a two-night stay.

Owners of The Secret Yurts, Martyn and Cerys, are considering how best to maximise revenue in the long-term. Cerys thinks the best course of action would be to seek planning permission to build and furnish two new yurts, whilst Martyn thinks it would be better to purchase and plumb two new hot tubs to bring all the accommodation to the same standard.

However, neighbouring sheep farmers have complained many times about holiday makers trespassing on their land with dogs occasionally chasing their livestock. Additionally, the noise from late night parties has also been an issue.

Option 1: Building and furnishing two new yurts, initial cost £25000.

Year	Estimated annual return
1	4000
2	7000
3	8000
4	8000
5	8000

Option 2: Purchase and plumbing of two new hot tubs, initial cost £20000.

Year	Estimated annual return
1	6000
2	6000
3	6000
4	6000
5	6000

(a)

Iculate the payback period for each of the two options in years and months now your workings) [3]	(i)
	•••••
	•••••
Iculate the annual rate of return for each of the two options. (Show your workings)	(ii)
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(b)	With reference to both quantitative and qualitative factors, advise Martyn and Cerys as whether they should purchase the yurts or the hot tubs.	s to [8]
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2. The Woodland Experience Ltd

The Woodland Experience Ltd is an organisation which operates cafes and car parks in sites of outstanding natural beauty within the UK. Most of the business's assets are based in land such as forests or coastline. Revenue is generated through its car parks and cafes within each of its sites and most of its staff are engaged in monitoring the car parks, maintaining pathways, picking litter and operating the cafes.

In 2017 The Woodland Experience Ltd purchased more land in a site of outstanding natural beauty where changes to existing buildings or the natural environment are closely monitored by local authorities.

The following table is extracted from its balance sheets for September 2017 and 2016:

	2017 (£000)	2016 (£000)
Fixed (non-current) assets	2 510	2010
Current assets		
Stock	30	27
Debtors	22	20
Cash	835	956
Total current assets	887	1003
Current liabilities		
Creditors	62	52
Other current liabilities	669	550
Total current liabilities	731	602
Long term (non-current) liabilities	1 625	1 125
Net Assets	1 041	1286
Shareholder's capital	1 041	1286

	2017	2016
GPM	79.13%	80%
NPM	16.5%	15%
ROCE	4.89%	4.15%

(a)

(i)	Calculate the current ratio for 2017 and 2016.	[3]
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•••••		
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(ii)	Calculate the gearing rate for 2017 and 2016.	[3]

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<i>a</i>		
(iii)	Calculate the percentage change in working capital between 2016 and 2017.	[4]
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(b)	Evaluate the financial impact on The Woodland Experience Ltd of purchasing the new land.	v]
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3. Fast Snacks PLC

In the boardroom of Fast Snacks PLC a meeting is being carried out to decide on the company's marketing strategy for the forthcoming year.

David, Marketing Director, thinks the best strategy is to launch a new range of ready meals to cater for a growing trend in insect based snack food. Although insects are often eaten as snacks in some Asian countries, the trend has not become popular in Europe.

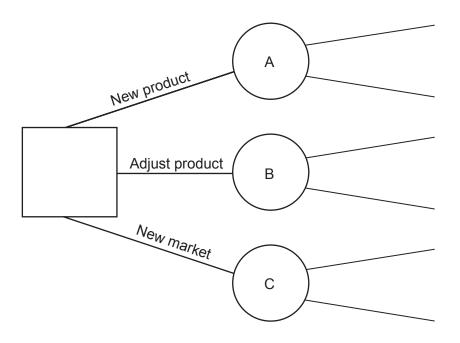
Katie, Production Director, knows the company has had difficulty establishing new snacks on the market and thinks it would be a safer option to simply update their current products.

James, Sales Manager, thinks it would be better to sell their existing products in other European markets. He considers most western Europeans to have the same eating habits and tastes as the UK.

Katie has brought the following information to the board meeting in order to help decide on a course of action.

Table 1: Summary of proposed strategies

	Cost	Probability of	Estimated re	venue (£000)
	(£000)	success	Success	Failure
New product	100	0.1	1300	75
Adjust product	20	0.7	600	15
New market	40	0.4	840	45



(a) (i) With the use of table 1, fully complete the decision tree diagram including the expected values of A, B and C. [6]

	(ii) Calculate the profitability of each of the three options. [2]	
(b)	Evaluate the usefulness of decision tree analysis to Fast Snacks PLC. [8]]
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Examiner only

4. Barclays Bank

Banking had been considered a safe and steady business. However, after British banks suffered from poor liquidity in the economic downturn of 2008 and subsequent recession, the industry has been looking for ways to improve the efficiency of their operations.

One method has been to close inefficient branches. 130 bank branches closed in Wales over five years which has left some villages, including Aberfan, without a bank in the high street. Locals have been left only able to access cash via a cash point at a local food store. A number of banks have carried out rationalisation in order to streamline their activities.

Barclays Bank's South Wales Director, Mervyn Owen, explains their rationalisation of Welsh branches by saying "Banking patterns have changed. A lot of customers are going online now and using their phones. So, there's been a major decline in the use of local branches."

To coincide with the closure of some branches, Barclays have launched 'Digital Eagle'. This is a scheme which involves Barclays staff helping customers improve their ability to access online banking as an alternative to visiting a branch.

Explain the benefits and drawbacks to Barclays Bank of closing branches within Wales. [8]

5. Caws Cenarth

In 2018 Caws Cenarth celebrates 31 years of exceptional cheese-making. The business was started by Gwynfor and Thelma Adams in response to difficult conditions in the agricultural industry. Originally, the pair were dairy farmers but the introduction of limits on the amount of milk farmers were able to sell caused them to think about other products. Making cheese from the milk produced by their herd seemed a natural alternative.

Cheese making was a huge success and today Caws Cenarth is run by their son, Carwyn, who is just as passionate about the enterprise and about making great Welsh cheese. Over the years, Caws Cenarth cheese has been sold by some of the best retailers in the UK and served in a variety of restaurants. Their products have also won numerous awards, including Supreme Champion at the British Cheese Awards with their newest creation, Golden Cenarth.

Products range from a 3kg Smoked Caerffili cheese for £50 to a 150g Per Las Wedge for £4. Christmas selection boxes also offer a seasonal boost to sales. They even offer a cheese wedding cake.

Source: www.cawscenarth.co.uk Explain ways in which the Ansoff Matrix may be of use to Caws Cenarth in devising its marketing strategy. [8]

6. ChipsAway

ChipsAway is a market leading franchisor in the car body repair market, offering customers a convenient, quality and cost-effective alternative to repair paintwork scratches, bumper scuffs, minor dents and kerbed alloy damage to their vehicles. Latest research shows that this type of damage is found on over 64% of the 34 million vehicles on the UK's roads, and demand for the ChipsAway service is still growing.



Many franchisees wish to join ChipsAway to become their own boss whilst using a proven business model. The unrivalled support structure offered by ChipsAway could help operate the business successfully. In return, franchisees must invest a minimum of £15000.

The business model is easily scalable and completely flexible to suit the ambitions of the franchisee. Most franchisees initially opt for a van-based franchise going out to customers. However, it is also possible for franchisees to buy packages which include multiple vans, fixed base workshops and packages which include exclusive territories to ensure no other ChipsAway franchisees can be set up within a certain distance of another – the opportunities are endless!

Source: http://www.franchisedirect.co.uk/directory/chipsaway/286/

(a)	Outline two requirements which may be expected of ChipsAway in return for the £15 payment.	000 [4]
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(b)	Discuss the view that expanding a business through franchising is significantly meffective than other methods of growth.	ore [12]
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