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| Surname | Centre Number | Candidate Number |
| Other Names | | 2 |



GCE A LEVEL

A510U20-1



BUSINESS – A level component 2 Business Analysis and Strategy

MONDAY, 11 JUNE 2018 – AFTERNOON

2 hours 15 minutes

| For Examiner's use only | | |
|-------------------------|--------------|--------------|
| Question | Maximum Mark | Mark Awarded |
| 1. | 4 | |
| 2. | 12 | |
| 3. | 22 | |
| 4. | 10 | |
| 5. | 12 | |
| 6. | 10 | |
| 7. | 10 | |
| Total | 80 | |

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

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

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.

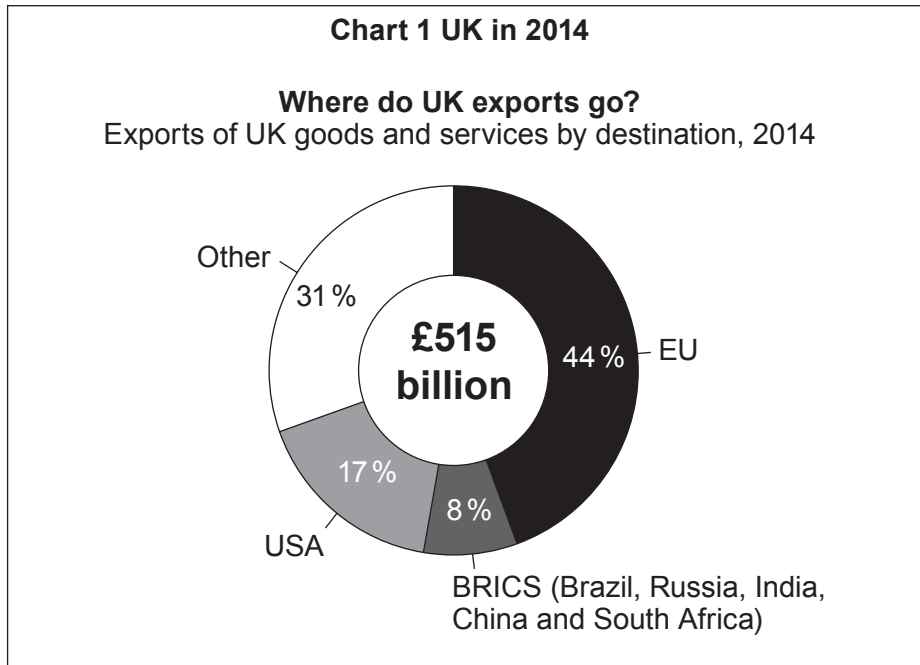
You are reminded of the necessity for good English and orderly presentation in your answers.



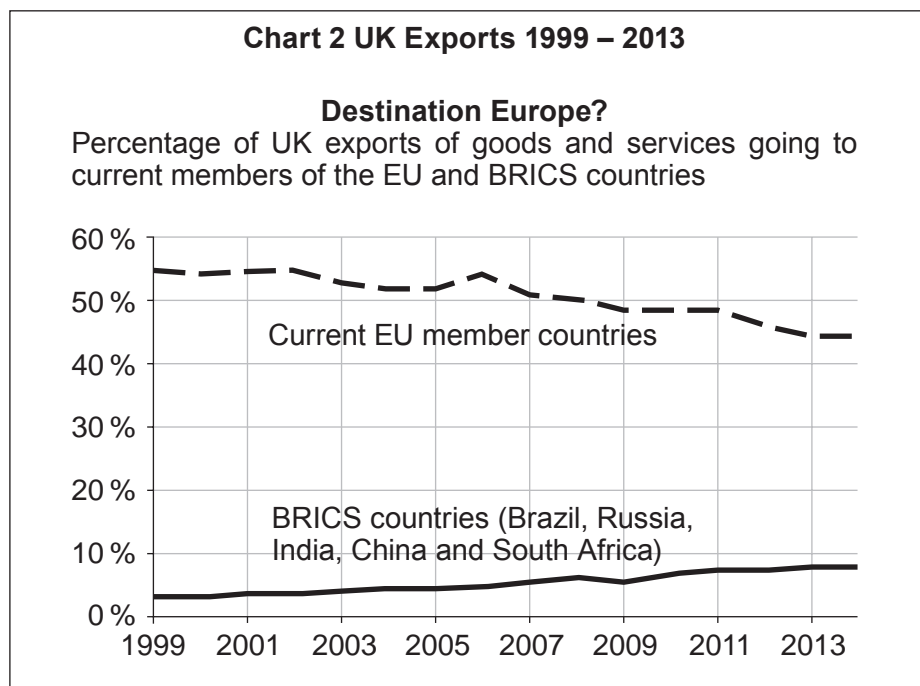
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Answer all the questions in the spaces provided.

1. Charts 1 and 2 below give information about UK exports.



Source: Office for National Statistics



Source: Office for National Statistics



Explain how the information in Chart 1 and Chart 2 might be useful to a UK exporter. [4]

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2. Greggs plc is the largest UK bakery chain with 1743 outlets including 143 franchised outlets.



Greggs has a vertically integrated supply network which currently comprises twelve bakeries, one distribution centre and one manufacturing centre of excellence for savoury products including pies and pasties.

- (a) Outline the advantages and disadvantages to Greggs of being a vertically integrated business. [6]

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3. Robert Chambers & Sons Ltd operates a small chain of hardware stores in the North East of England. The table below is an extract from the company's budgeted and actual cash flows for last year.

| | Budgeted £000s | Actual £000s | Variance £000s |
|-----------|-------------------|-----------------|-------------------|
| Revenue | 2475 | 2275 | (i) |
| Purchases | 1485 | 1465 | (ii) |
| Wages | 620 | 700 | (iii) |

(a) Calculate the variances stating whether they are favourable (F) or adverse (A). [3]

- (i)
- (ii)
- (iii)

(b) Explain possible causes for these variances and suggest suitable ways that Robert Chambers & Sons Ltd might respond to them. [8]

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- (c) The following figures have been extracted from the balance sheet of Robert Chambers & Sons Ltd for the year ended 31 December 2017.

| | 2017 £000s | 2016 £000s |
|---|---------------|---------------|
| Fixed (non-current) Assets | 1 750 | 1 620 |
| Total Current Assets | 632 | 654 |
| Total Current Liabilities | 421 | 448 |
| Total Long-term (non-current) Liabilities | 165 | ? |
| Shareholders' Funds | 1 796 | 1 736 |
| Capital Employed | ? | 1 826 |

- (i) State the meaning of the term shareholders' funds. [2]

- (ii) Calculate the total long-term (non-current) liabilities for 2016. [2]



(iii) Calculate the capital employed for 2017. [1]

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(d) (i) Use the information provided to calculate the current ratio for both years. [3]

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(ii) Assess whether Robert Chambers & Sons Ltd would consider these ratios to be satisfactory. [3]

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4. Charlie Jukes, the managing director of the 'My Plaice' chain of twenty fish and chip shops, is thinking of ways to expand his business next year. He has narrowed the choices down to three possibilities:

Option 1 – put a seating area in his shop in Northampton

Option 2 – refurbish a shop in Milton Keynes

Option 3 – open a new shop in Oldham

He asked his finance director, Misbah Shah, to calculate the chances of success for each option and the likely returns. Misbah produced the table below which gives the estimated returns for the first year following the improvements. Misbah based the estimates on the performance of other shops in the business over the past ten years.

| Option | Initial cost £000s | Probability of success | Return if successful £000s | Return if unsuccessful £000s |
|--------|-----------------------|---------------------------|----------------------------------|------------------------------------|
| 1 | 20 | 0.7 | 80 | 30 |
| 2 | 30 | 0.6 | 120 | 40 |
| 3 | 80 | 0.4 | 180 | 60 |

- (a) Use this information to construct a decision-tree diagram and calculate the net return on each option. [6]



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(b) Assess which of these options is likely to represent the best **overall** value to Mr Jukes' business considering both quantitative and qualitative information. [4]

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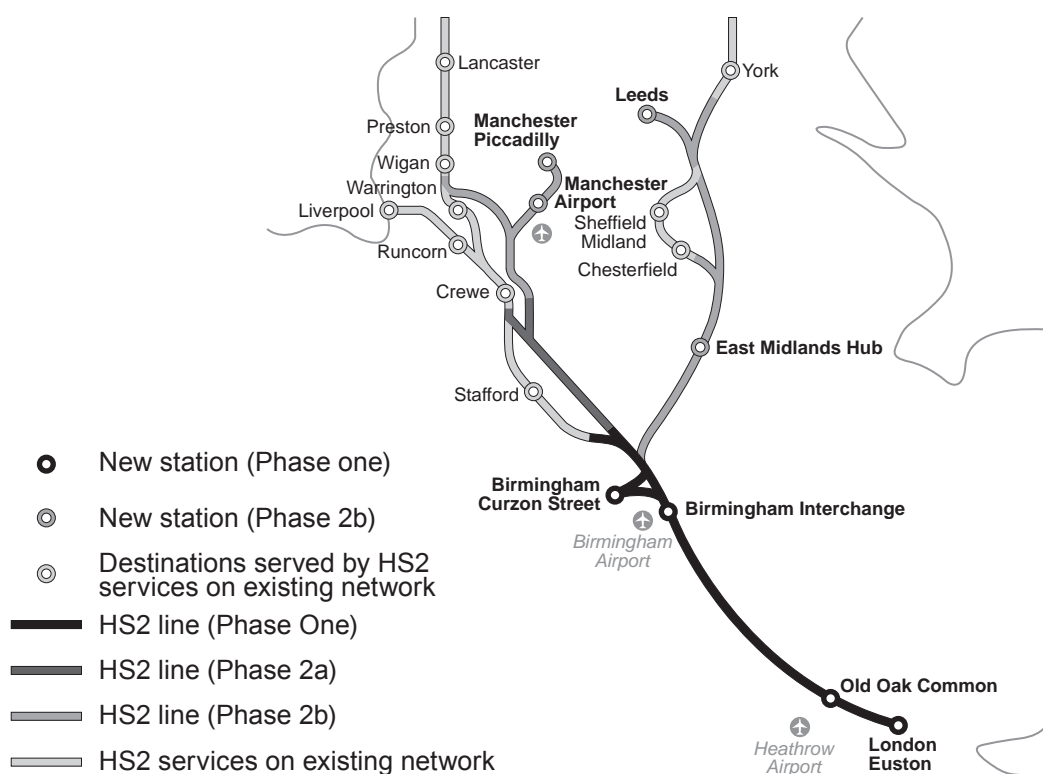
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5. The government is planning a new high-speed rail network, from London to Birmingham, Manchester and Leeds, known as HS2. Ministers say it will improve the transport network and boost the economy, but there has been controversy about the exact route of the line and its effect on those living near it.



The initial plan is for a new railway line between London and the West Midlands carrying 400 m long (1 300 ft) trains with as many as 1 100 seats per train. They would operate at speeds of up to 250 mph – faster than any current operating speed in Europe – and would run as often as 14 times per hour in each direction. This would be followed by a V-shaped second phase taking services from Birmingham to Manchester and Leeds.

The first phase of the £56 bn railway is due to open in December 2026, with trains to travel at high speed between London and Birmingham before continuing on the existing West Coast Main Line. The Department for Transport says the project will cut Birmingham London journey times from 1 hr 21 min to 49 min. Once the second phase is complete, Manchester London journeys would take 1 hr 8 min (down from 2 hr 8 min), and Birmingham Leeds 57 min (down from 2 hr). This would effectively reduce journey times between London and Edinburgh and Glasgow by an hour to 3 hr 30 min.

The government believes its creation will free up capacity on overcrowded commuter routes. It also estimates the new line could transfer 4.5 million journeys a year from the air and nine million from the roads, reducing the number of lorries on busy routes.

The Institute of Economic Affairs believes that the final cost of the scheme will be around £80 bn.

Source: www.bbc.co.uk 15 November 2016



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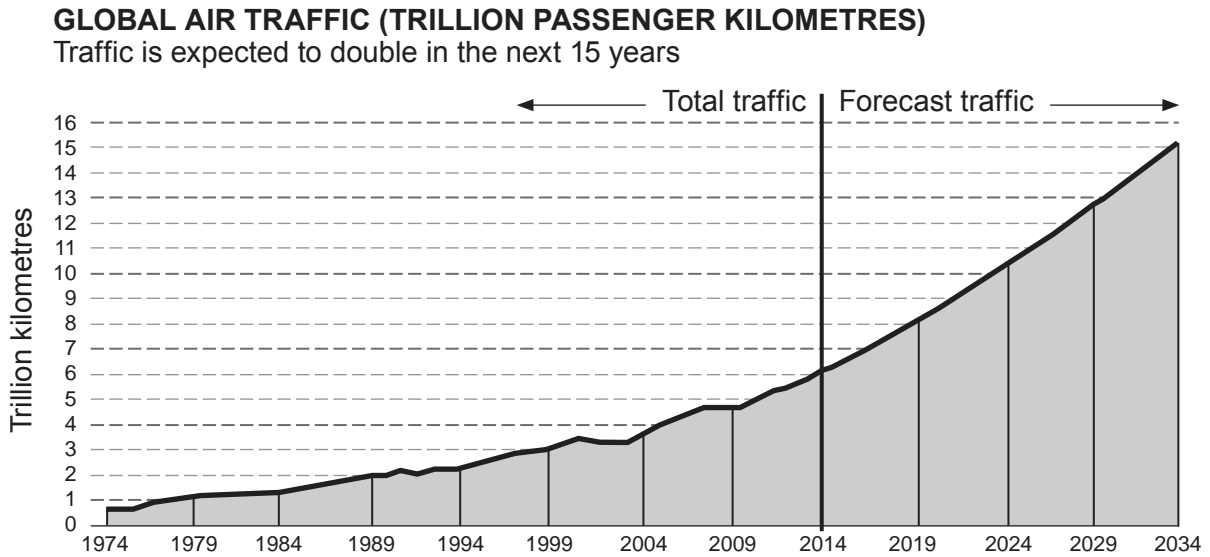
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7. The chart below shows the actual and projected growth of global air traffic between 1974 and 2034.



Source: International Civil Aviation Organization (ICAO)/Airbus 2015

Consider the opportunities and threats faced by companies in the airline industry such as British Airways and easyJet. [10]

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