

Surname	Centre Number	Candidate Number
First name(s)		2



GCE A LEVEL

A510U20-1



THURSDAY, 9 JUNE 2022 – 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.	7	
2.	11	
3.	11	
4.	17	
5.	12	
6.	22	
Total	80	

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

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

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

Answer **all** questions.

Additional space is provided for some questions within the booklet (if required). If further space is required for any question, you should use the lined 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.

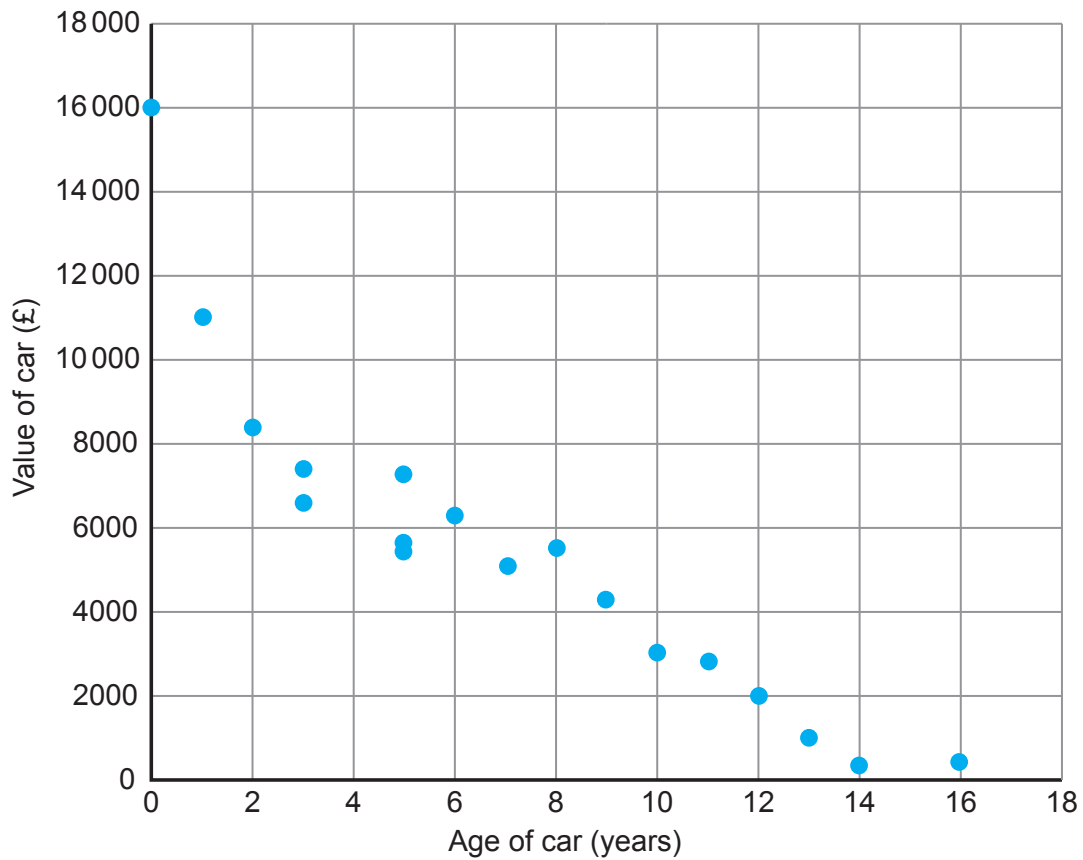


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Answer **all** the questions in the spaces provided.

1. Gino is a sole trader who operates a small fast food take away business. He is hoping to start offering a pizza delivery service and is thinking of buying a small car. He is not currently sure how much he wants to spend and is slightly concerned about how much this asset will depreciate. Below is a scatter graph showing the value of a number of small cars at different ages.

The relationship between the age of a car and its value



(a) Outline what is meant by depreciation. [2]

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When it was new, one of the cars in the graph on the previous page was valued at £16 000 and after 8 years had a residual value of £5 800.

(b) Calculate the value of this car after 4 years. [3]

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(c) Describe the correlation between the value of a car and its age, as shown in the graph. [2]

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2. The table below shows a comparison between budgeted and actual figures for a small manufacturing business that uses job production methods.

	Budgeted (£)	Actual (£)	Variance (£)
Sales revenue	1 200 000	(i)	180 000 Adverse
Raw materials	200 000	180 500	(ii)
Labour	230 000	240 250	(iii)

- (a) Outline what is meant by an adverse variance.

[2]

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- (b) (i) Calculate the actual sales revenue.

[1]

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Calculate the variances and state whether they are favourable or adverse.

- (ii) Raw materials variance.

[1]

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- (iii) Labour variance.

[1]

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3. Silvers plc is a jewellery company that provides a range of jewellery items to customers throughout the UK. Amongst its wide portfolio of products, its diamond and emerald necklace is its best-selling line, despite the premium pricing strategy used.

The company has experienced pressure from its shareholders, who are demanding higher returns, so the Board of Directors decided to hold a meeting. When reviewing past and forecasted sales figures, the accountant advised that it would be worth considering the level of income elasticity of demand. She believes that this may explain some of the sales patterns the business has experienced and help to guide decision making, particularly in relation to improving the return for its shareholders. The accountant provided the following information:

Table 1:

	2020	2023*
Average household income level per year	£29 400	£31 200
Annual sales of the diamond and emerald necklace (units)	6 890	7 524

*forecast figures

The accountant also provided some key financial data from the 2020 financial accounts:

Table 2:

	£
Gross profit	2 600 000
Net profit	1 500 000
Shareholders' funds	8 400 000
Non-current (long term) liabilities	8 200 000

- (a) Calculate the return on capital employed for 2020. Show your answer to 2 decimal places. [2]

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(b) (i) Calculate the income elasticity of demand for the diamond and emerald necklace. [4]

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(ii) Classify the type of income elasticity of demand for the diamond and emerald necklace. [1]

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(iii) Explain how the level of income elasticity calculated above may impact Silvers plc. [4]

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4. Muddy Boots Ltd manufactures and sells a range of footwear for a variety of outdoor activities, including hiking, horse riding, rugby and football. It is well established and has an online presence, as well as several retail outlets in locations around the UK. The Board of Directors is made up of three brothers who started the company together, who are considering further ways for the business to grow. The youngest brother, who is the marketing director, makes quick decisions and believes they should try to expand into the French market due to limited competition. However, the eldest brother, who is the financial director thinks that when making strategic decisions they would be better using scientific decision-making tools.

- (a) Explain why scientific decision-making tools are appropriate when making strategic decisions. [4]

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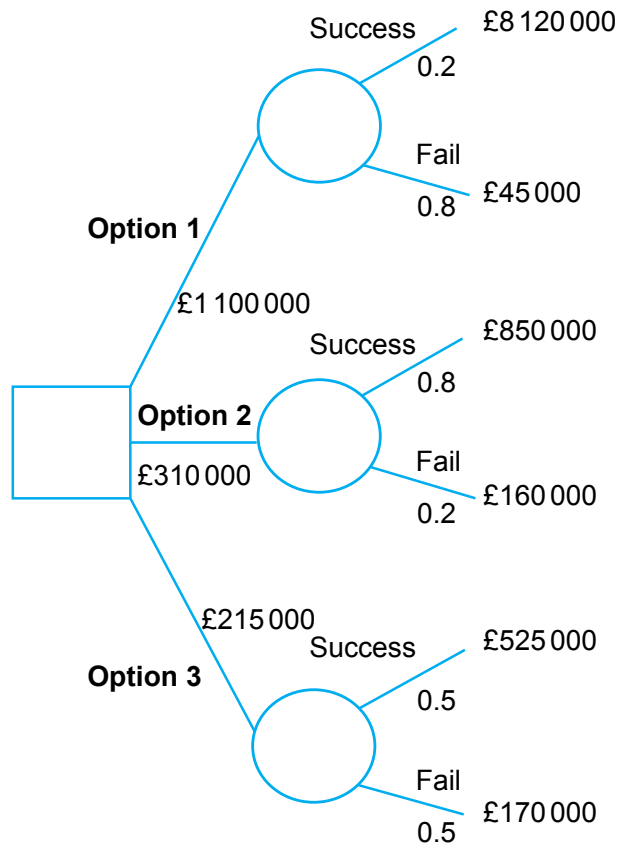
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The brothers are considering three options to grow the business:

Option 1	Takeover an existing French footwear business.
Option 2	Widen the product portfolio by developing new footwear for a range of water sports such as kayaking, sailing or windsurfing.
Option 3	Develop a new range of footwear for the fashion market including trainers, flip flops and high heels.



To help them make this decision, they have started to create a decision tree diagram.



(b) Calculate the final net return of each option.

[3]

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Additional space for Question 4(c) only

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5. Müller UK & Ireland is owned by a German company, which employs 24 000 people throughout Europe. In the UK, Müller UK & Ireland develops, manufactures and markets a wide range of branded and private label dairy products made with milk from more than 1 650 British farms. (Private label means that Müller produces products on behalf of other companies who put their own label onto the products).

The Müller brand is the 8th most chosen brand in the UK, picked from shelves more than 217 million times each year.

Müller UK & Ireland comprises three business units:

- Müller Milk & Ingredients is Britain’s largest producer of branded and private label fresh milk and other dairy products, with a network of dairies and depots servicing customers throughout the country.
- Müller Yogurt & Desserts is the UK’s leading yogurt manufacturer responsible for major brands like Müllerlight, Müller Corner and Müller Rice. It produces chilled desserts and yoghurts for other large companies.
- Milk & More delivers daily essentials to more than 500 000 homes in England, via a network of 53 local fulfilment centres. The milkman is arguably the original home delivery service and Milk & More is ensuring that this great British tradition continues.

Source: <https://www.muller.co.uk/about-muller/muller-uk-ireland/>

- (a) Outline what is meant by market development according to the Ansoff Matrix, giving an example from the text above. [2]

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- (b) Discuss how the Ansoff Matrix may be of use to Müller UK & Ireland. [10]

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Additional space for Question 6(a) only

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Additional space for Question 6(b) only

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