AQA

Please write clearly in block capitals.

Centre number	
Candidate number	
Surname	
Forename(s)	
Candidate signature	

GCSE
BUSINESS

Paper 2 Influences of marketing and finance on business activity

Tuesday 4 June 2019 Afternoon Time allowed: 1 hour 45 minutes

Materials
For this paper you must have:
- a calculator.

Instructions
- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this answer book. Cross through any work you do not want to be marked.

Advice
- The marks for each question are shown in brackets.
- The maximum mark for this paper is 90.

For Examiner's Use	
Section	Mark
A	
B	
C	
TOTAL	

Section A

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

For questions with four responses, only **one** answer per question is allowed.

For each answer, completely fill in the circle alongside the appropriate answer.

CORRECT METHOD WRONG METHODS

If you want to change your answer you must cross out your original answer as shown.

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

0 1 . 1 What is the buying and selling of goods and services through wireless handheld devices?

[1 mark]

A E-commerce

B I-commerce

C M-commerce

D W-commerce

0 1 . 2 Which pricing strategy sets a high price for a new product at first, then lowers this over time?

[1 mark]

A Competitive pricing

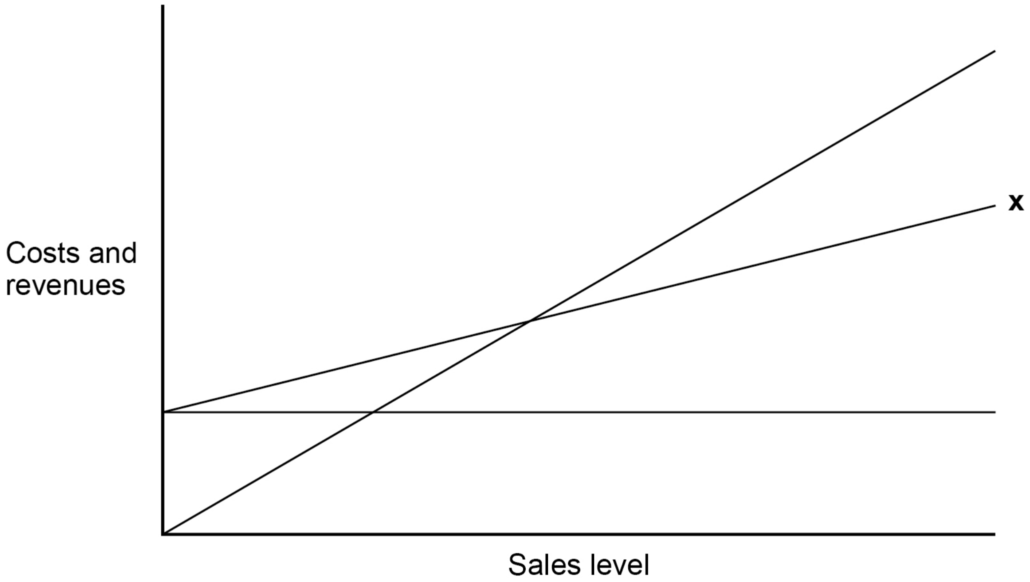
B Cost-plus pricing

C Price penetration

D Price skimming

0 1 . 3 What is the correct label for the line labelled **x** on the break-even chart below?

[1 mark]



A Fixed costs

B Sales revenue

C Total costs

D Variable costs

0 1 . 4 Which of the following is an example of a current liability?

[1 mark]

A Cash

B Machinery

C Overdraft

D Stock

0 1 . 5 Which of the following is a method of primary market research?

[1 mark]

A Company report ⬭

B Focus group ⬭

C Information published on a website ⬭

D Newspaper ⬭

0 1 . 6 Which of these is a type of diseconomy of scale?

[1 mark]

A Increased motivation ⬭

B Investment in technology ⬭

C Lower average unit costs ⬭

D Poor communication ⬭

0 1 . 7 Identify **two** methods of sales promotion.

[2 marks]

Method 1 ____

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Method 2 ____

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Do not write outside the box

0 1 . 8 Identify **two** ways a market can be segmented.

[2 marks]

Way 1 ______________________________

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Way 2 ______________________________

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0 1 . 9 Explain **one** reason why businesses prepare financial statements.

[2 marks]

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0 1 . 10 Explain **one** reason why sales growth begins to slow down in the maturity stage of the product life cycle.

[2 marks]

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Question 1 continues on the next page

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0 1 . 11 Explain **one** reason why a business would choose to expand.

[2 marks]

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0 1 . 12 State and explain **two** factors that influence the choice of location for a business.

[4 marks]

Factor 1 ______________________________________

Explanation ___________________________________

____

Factor 2 ______________________________________

Explanation ___________________________________

____

20

Turn over for the next section

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ANSWER IN THE SPACES PROVIDED

Section B

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

0 2 **Item A: Swim to Success**

Swim to Success (STS) is a programme that teaches young children how to swim through weekly lessons. It was developed by Jade Jackson, an ex-Olympic swimmer. Jade employs swimming instructors who deliver the programme using the pool facilities at gyms across the North East of England.

Information:

Number of pools with swimming classes	5
Price per class per child	£9
Number of swimming classes per pool per week	14
Maximum number of children per swimming class	8

Jade set STS up as a sole trader because she wanted to make the key business decisions herself. Initially Jade used a bank loan as her main source of finance and secured the loan against her home which she owns.

Jade would like to expand STS. However, she is struggling to raise the finance herself as her costs are still high. To help her manage financially Jade has arranged an overdraft on her business bank account. She relies on this to pay employees if the business does not have enough cash at the end of the month. Jade has recently received a letter from the bank explaining that interest rates on bank loans and overdrafts are going to increase.

0 2 . 1 Calculate the maximum revenue that STS could earn in one week.
Show all workings.

[3 marks]

Workings: ______________________________

____

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____

____

Answer £ ______________

Do not write outside the box

0 2 . 2 Analyse **one** effect of the increase in interest rates on STS.

[6 marks]

Question 2 continues on the next page

0 2 . 3 Jade is considering changing the legal structure of STS from a sole trader to a private limited company (Ltd).

Advise Jade on whether this is a good idea.

Give reasons for your answer.

[9 marks]

Extra space

Question 2 continues on the next page

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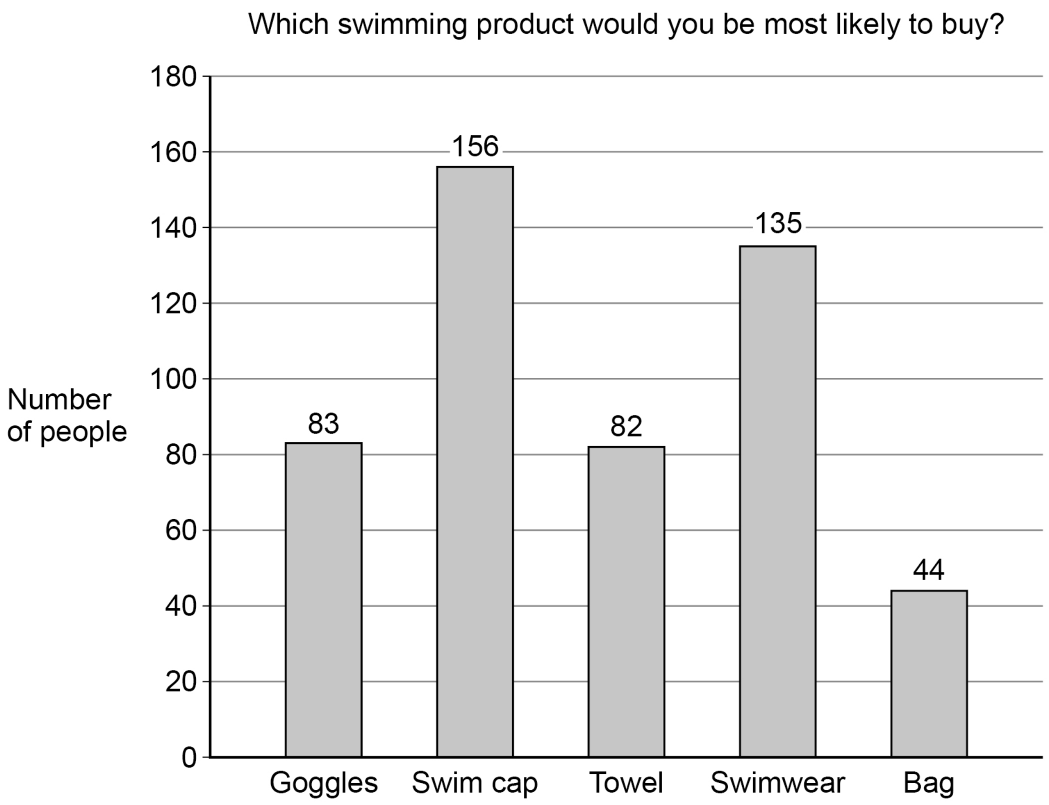
Item B: Swim to Success

To help bring in extra revenue and cover her costs Jade is developing a new business plan to launch a range of branded swimming products. Jade gave questionnaires to parents to find out which products would be the most popular and what prices people would pay. The results of one of Jade's questions is below:



Jade was also planning to sell her products through the STS website where parents currently book lessons. To develop the e-commerce part of the website more investment is needed, particularly to make sure payment information is secure. Once the website has been developed Jade thinks she will be able to manage it herself. However, she would be unable to package and post orders every day as she thinks that she has more important priorities. For example, responding to customer queries, organising employee timetables and checking cashflow.

Another option for Jade is to sell her products at the gyms where STS lessons take place. Most of the gyms already have a small area with goods for sale such as water bottles, gym bags and towels, however Jade would have to negotiate a monthly rental fee.

0 2 . 4 Identify **two** sections of a business plan.

[2 marks]

Section 1 ______________________________

Section 2 ______________________________

0 2 . 5 Use the information in the graph to calculate the percentage of parents that chose swimwear as the product they are most likely to buy.

[2 marks]

Workings: ______________________________

Answer __________ %

0 2 . 6 Explain **one** benefit for Jade of using questionnaires to conduct market research.

[4 marks]

Question 2 continues on the next page

0 2 . 7 Jade must decide how to distribute her swimming products.

Recommend whether or not Jade should sell her products using e-commerce on the STS website.

Give reasons for your answer.

[9 marks]

Extra space

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Turn over for Section C

Section C

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

0 3 **Item C: HelloFresh**

HelloFresh is the world's leading meal-kit delivery company. Each meal-kit contains all the ingredients and a recipe to cook a meal from scratch. HelloFresh deliver the kits to customers. The company was set up by two entrepreneurs in 2011 when they spotted a gap in the market to help busy people cook high quality meals at home. HelloFresh offer meal-kits to suit the needs of young families and couples who are prepared to pay a premium for its service.

HelloFresh are proud to be environmentally responsible and advertise that it is the 'greener way to shop for groceries'. It uses recycled packaging and carefully plans delivery routes to make sure that vehicles travel the shortest possible distance.

Meal-kits are becoming very popular in the UK and HelloFresh is operating in an increasingly competitive market. HelloFresh tries to keep its customers interested by developing exciting new recipes each week that are different to the recipes that competitors are offering. This process is expensive and time consuming. HelloFresh is now looking for opportunities to reduce costs. It uses customer reviews to find out which foods customers like and dislike, but not all customers give regular feedback. Once HelloFresh has developed a new recipe the Finance and Production departments must work together to make sure the ingredients are available within the budget.

0 3 . 1 Describe **one** characteristic of an entrepreneur.

[2 marks]

0 3 . 2 Analyse **one** benefit to HelloFresh of operating as an environmentally responsible company.

[6 marks]

Question 3 continues on the next page

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0 3 . 3 HelloFresh is developing new products by creating additional recipes each week.

Analyse **one** risk of this new product development.

[6 marks]

Turn over for the next question

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ANSWER IN THE SPACES PROVIDED

Turn over ►

Item D: HelloFresh

HelloFresh has experienced rapid growth and now has more than 1.45 million customers worldwide. In 2017 it became a public limited company and is now aiming to break even.

In the UK, the selling price for one HelloFresh meal is around £5 per person with a minimum order value of £34.99. In a 2017 survey 59% of people said they had never subscribed to a meal-kit delivery service because it was too expensive, however the target market for HelloFresh expect a high-quality product and this requires a certain level of cost. For example, HelloFresh work with local suppliers to source seasonal, fresh food and its meal-kits are packaged mainly using recycled materials instead of cheaper solutions which have a more negative impact on the environment.

HelloFresh focuses its marketing activity online, including social media, to advertise meal-kits to its target market. HelloFresh sometimes combines advertising with a sales promotion, such as 50% off your first box, to attract new customers to its subscription service. Marketing is very important to HelloFresh as it operates in an increasingly competitive environment. In 2018 one major competitor launched a TV advertising campaign costing £2 million. HelloFresh incurred marketing expenses of £140 million in 2016 which increased to £215 million in 2017.

Table 1: Adapted from HelloFresh Extract of Income Statement
Euros have been converted to pounds.

	2017 (£ million)	**2016 (£ million)**	**2015 (£ million)**
Revenue	800	536	274
Cost of goods sold	325	230	130
Total expenses	563	397	259
Net profit/loss		(91)	(115)

0 3 . 4 Define 'cost of goods sold'.

[2 marks]

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0 3 . 5 Explain **one** reason why the objectives of HelloFresh might have changed since starting in 2011.

[2 marks]

0 3 . 6 Calculate the net profit/loss for 2017.

Show all workings.

[2 marks]

Workings:

Answer £

0 3 . 7 Explain why net loss in **Table 1** has decreased between 2015 and 2016.

[3 marks]

Question 3 continues on the next page

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0 3 . 8 HelloFresh is aiming to make a net profit in the next 12 months. It is considering two possible options which will help it to do this:

- cutting costs
- increasing spending on marketing.

Analyse the effect of **each** of these two options on HelloFresh's net profit.

Evaluate which of these two options will have the biggest impact on HelloFresh's net profit.

[12 marks]

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END OF QUESTIONS

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