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AQA

Please write clearly in block capitals.

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Forename(s) _____

Candidate signature _____
I declare this is my own work.

GCSE
BUSINESS

Paper 2 Influences of marketing and finance on business activity

Tuesday 2 June 2020 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.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- 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	

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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 Which element of the marketing mix involves selecting a channel of distribution?

[1 mark]

A Place ⬭

B Price ⬭

C Product ⬭

D Promotion ⬭

0 1 . 2 Which source of finance is available to a limited company but **not** a sole trader?

[1 mark]

A Bank loan ⬭

B Mortgage ⬭

C Overdraft ⬭

D Share issue ⬭

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0 1 . 3 Which pricing method involves calculating the costs of production and adding a percentage to make a profit?

[1 mark]

A Competitive pricing ⬭

B Cost plus pricing ⬭

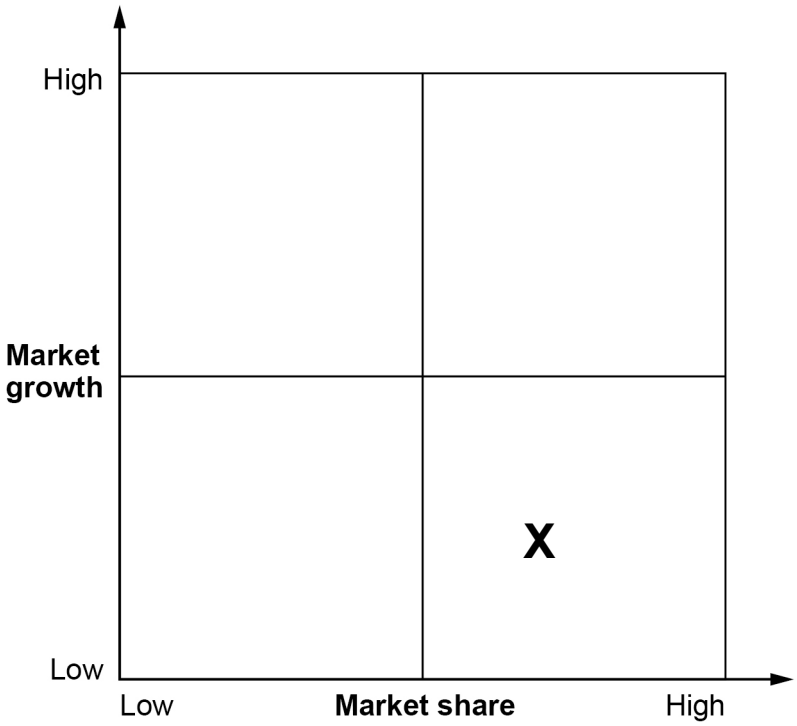
C Loss leader ⬭

D Price skimming ⬭

0 1 . 4 What is the name for the category of products in the Boston Matrix labelled **X** below?

[1 mark]

Figure 1 The Boston Matrix



A Cash cow ⬭

B Dog ⬭

C Question mark/problem child ⬭

D Star ⬭

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0 1 . 5 Which method of growth involves employing another business to produce products or provide services?

[1 mark]

A E-commerce ⬭

B Franchising ⬭

C Outsourcing ⬭

D Merger ⬭

0 1 . 6 Which of the following would be on a statement of financial position?

[1 mark]

A Cost of sales ⬭

B Non-current assets ⬭

C Rent ⬭

D Revenue ⬭

0 1 . 7 Explain what is meant by the term 'economies of scale'.

[2 marks]

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0 1 . 8 Identify **two** ways business activity can have an impact on the environment.

[2 marks]

Way 1

Way 2

0 1 . 9 Explain **one** way a business can minimise risk.

[2 marks]

0 1 . 10 Explain **one** way that promoting a good or service can increase sales.

[2 marks]

Question 1 continues on the next page

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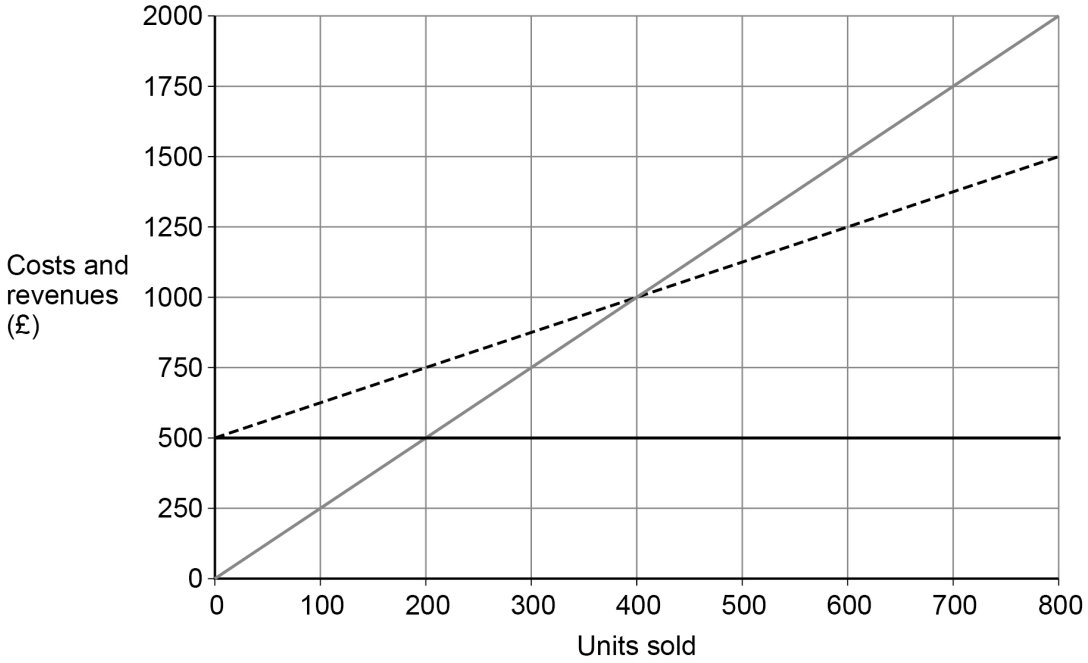
0 1 . 11 Use the break-even chart below to calculate the margin of safety in units if the actual number of units sold was 700.

Show all workings.

[2 marks]

Figure 2



Answer _____

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0 1 . 12 State and explain **two** extension strategies that can extend the life cycle of a product.

[4 marks]

Strategy 1 _____

Explanation _____

_____

_____

Strategy 2 _____

Explanation _____

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_____

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Turn over for the next section

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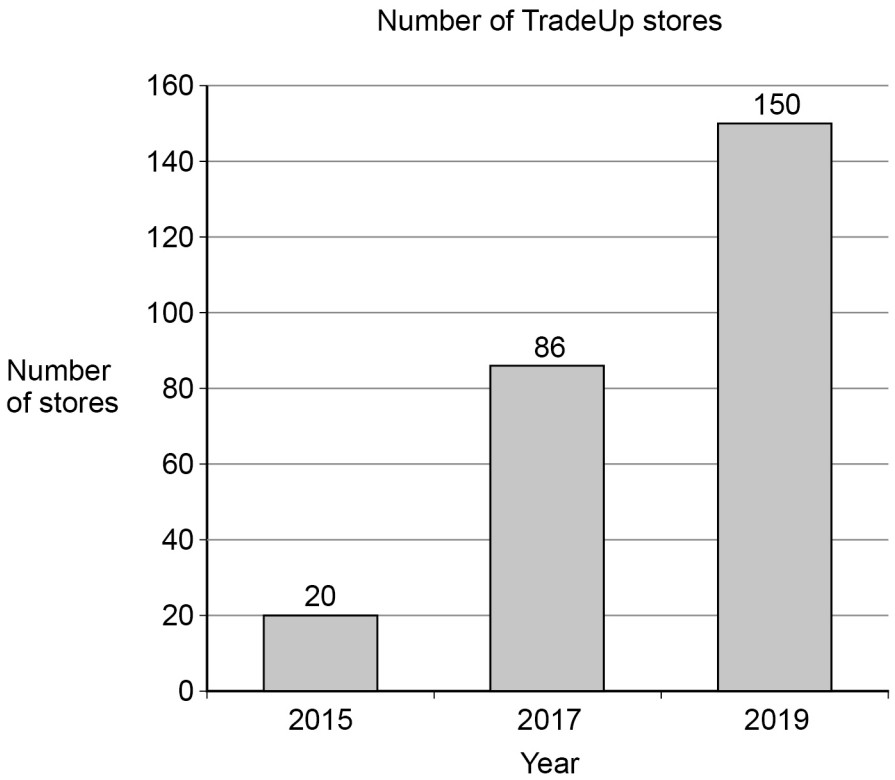
Section B

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

0 2 **Item A: TradeUp**

TradeUp is a high street retailer that buys, sells and exchanges second-hand entertainment products and technology. These products include video games, mobile phones and tablet computers. TradeUp was established in 2002. The number of TradeUp stores since 2015 is shown below.



To keep up with a growing market, TradeUp has used franchising since 2015 to expand rapidly as it had limited funds available to set up stores itself. To open a TradeUp franchise, each franchisee must make an initial investment of £150 000. This money is used to design and fit the shop, purchase opening stock and train managers. Franchisees must pay TradeUp an ongoing royalty fee of 7% of their revenue.

One franchisee is Amelia Appleby. Amelia has had an idea to sell home appliances such as vacuum cleaners and microwaves, but she is unsure which products would be popular. Amelia is keen to present her idea to TradeUp as soon as possible, but she knows that she needs market research to support her proposal. Although Amelia is busy running her store, she has decided to conduct a focus group with her regular customers. To encourage customers to participate, Amelia will pay each of them a small fee. In the past, Amelia has used questionnaires to collect feedback from customers. These were placed on the shop counter for four weeks for customers to complete, but she had a very low response rate.

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0 2 . 1 Identify the business sector that provides services to customers.

[1 mark]

0 2 . 2 Calculate the average number of TradeUp stores opened each year from 2017 to 2019.

Show all workings.

[2 marks]

Workings:

Answer

0 2 . 3 Analyse **one** benefit for TradeUp of expanding through franchising.

[6 marks]

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0 2 . 4 Amelia is considering using a focus group of six customers to gain feedback on her idea.

Advise Amelia whether it is a good idea to use a focus group for her research. Give reasons for your advice.

[9 marks]

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Item B: TradeUp

The demand for some second-hand products, such as mobile phones, changes quickly. Amelia needs to make sure that her prices are competitive with other second-hand retailers otherwise she will lose customers.

Table 1 Extract of Income Statement for year ending April 2020

	(£ 000)
Sales revenue	140
Cost of sales	84
Gross profit	56

Amelia has always liked her location in a busy town centre and has never had any direct competition. This location has provided Amelia with loyal customers who like the convenience of being able to visit her store when they are in town shopping. However, another retailer located nearby has announced that it will start to offer a similar service to TradeUp. Amelia has heard that a unit on an out-of-town retail park has become available. She has found out that although the size of the unit at the retail park is bigger than her current location, the rent would be £825 per month, which is lower than her current payment of £1100 per month. There is a bus link every hour to the retail park and lots of free parking; however not all her current employees can drive.

0 2 . 5 Explain **one** factor that influences pricing decisions.

[2 marks]

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0 2 . 6 Amelia is aiming to reduce cost of sales in 2021 so she can improve her gross profit. She predicts her sales revenue will stay the same.

Calculate the difference in the gross profit margin between 2020 and 2021 if Amelia increases gross profit by 25%.

State the formula for gross profit margin and show your workings.

[5 marks]

Formula: _____

_____

Workings: _____

_____

_____

_____

_____

Answer _____ %

0 2 . 7 Recommend whether Amelia should relocate her TradeUp store from the town centre to the retail park.

Give reasons for your answer.

[9 marks]

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Section C

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

0 3 **Item C: Devine Jewellery (DJ) plc**

Devine Jewellery (DJ) plc is an international business that sells a range of luxury jewellery items such as bracelets, necklaces and rings. The business was started by British jewellery designer Dev Anand who developed a unique selling point (USP) of jewellery that can be personalised with a message or initials. This USP has attracted customers from all over the world. All DJ products are crafted from high quality gold and gemstones. This has enabled DJ to create an exclusive brand image that has attracted wealthy customers.

As a profitable business, DJ's shareholders receive dividend payments each year. Dev understands that his business must be willing to respond to current trends to maintain sales levels. Silver jewellery is very common as it is much more affordable than gold. Reputable brands already sell jewellery in a range of precious metals, including silver.

Dev is keen to produce a new jewellery collection using silver instead of gold. The new collection would not be personalised or include gemstones. The current selling price of DJ's best-selling gold bracelet is £4700. A silver version of this bracelet would be sold for £1175.

0 3 . 1 Explain **one** way that shareholders can have an impact on a business.

[2 marks]

0 3 . 2 Using **Item C**, explain **one** way that Devine Jewellery is able to compete successfully internationally.

[2 marks]

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0 3 . 3 Use the information in **Item C** to calculate the percentage decrease in the selling price of a bracelet if it is made from silver instead of gold.

Show all workings.

[2 marks]

Workings: _____

Answer _____

0 3 . 4 Analyse **one** potential impact of the new jewellery collection on Devine Jewellery.

[6 marks]

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Item D: Devine Jewellery (DJ) plc

DJ imports and exports goods to and from the UK where it is based. One of its most successful export markets is the USA, where it has 14 stores. It also imports diamonds to the UK from India as they are much cheaper to buy from here than other countries. This means DJ can make a larger profit on each item sold. DJ only has stores in large cities, so customers mainly use the website to find information on jewellery items.

DJ has always advertised in fashion magazines read by its wealthy target market but wants to raise its profile further. Other jewellery businesses are promoting their brands by sponsoring big events such as sports competitions, festivals and awards ceremonies. DJ would like to sponsor a fashion show in London for a world-famous British designer with an expensive clothing range. The designer has agreed that if the sponsorship goes ahead, the models will all wear jewellery from the DJ collection. As well as attracting reporters and photographers from around the world, the fashion show will be streamed live on the Internet and shown on television.

0 3 . 5 Explain **one** way a business can use digital technology to communicate with customers.

[2 marks]

0 3 . 6 Explain **one** way that Devine Jewellery will be affected if the exchange rate of the pound falls against other currencies.

[4 marks]

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0 3 . 7 Analyse **one** benefit to Devine Jewellery of using sponsorship of the fashion show to promote its jewellery.

[6 marks]

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Item E: Devine Jewellery (DJ) plc

DJ currently only sells its jewellery through the 60 stores it owns. This has allowed DJ to maintain its brand image and the high level of service customers expect. Dev has recently been approached by a luxury hotel chain that has more than 100 properties around the world. The hotel is interested in selling a small non-personalised range of Devine Jewellery in its hotel shops alongside less expensive brands. The hotel would want to add 20% to the normal selling price of each piece of jewellery to cover its costs.

To increase sales, DJ has offered credit to customers spending over £2000 so they can buy jewellery now and pay later. Many competitors also offer credit. This has enabled customers to purchase expensive pieces of jewellery and pay for them in ten equal instalments. Not all customers have been able to afford the monthly repayments and DJ has spent time and money trying to recover the debt.

0 3 . 8 Dev wants to improve the financial performance of Devine Jewellery. Dev is considering **two** options to achieve this. Recommend whether Devine Jewellery should:

- use the hotel chain as a channel of distribution to sell its jewellery
- remove the current credit scheme so that customers can no longer pay for jewellery in monthly instalments.

Analyse the effect of **each** of these **two** options on Devine Jewellery.

Evaluate which of these **two** options will have the biggest impact on the future success of Devine Jewellery.

[12 marks]

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