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AQA

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Centre number | | | | | | Candidate number | | | | |

Surname _____

Forename(s) _____

Candidate signature _____
I declare this is my own work.

GCSE
BUSINESS

Paper 2 Influences of marketing and finance on business activity

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 question, 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 of the following is a current liability?

[1 mark]

A Cash at bank ⬭

B Money owed to suppliers ⬭

C Mortgage owed ⬭

D Property owned ⬭

0 1 . 2 Which of the following is a possible drawback of ethical behaviour for a business?

[1 mark]

A Higher cost of supplies ⬭

B Higher sales revenue ⬭

C Low employee motivation ⬭

D Unlimited liability ⬭

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0 1 . 3 Which of the following is an example of qualitative data?

[1 mark]

A Customer opinions on a product ⬭

B Market growth of a product ⬭

C Number of customers ⬭

D Percentage change in net profit ⬭

0 1 . 4 Which of the following is an example of a cash inflow for a business?

[1 mark]

A Bank loan repayment ⬭

B Raw materials costs ⬭

C Rent received ⬭

D Wages ⬭

0 1 . 5 Which source of finance would be appropriate for a business wanting to avoid interest payments?

[1 mark]

A Bank loan ⬭

B Mortgage ⬭

C Overdraft ⬭

D Retained profit ⬭

Question 1 continues on the next page

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0 1 . 6 Extension strategies are used to try to prevent a product from entering which stage of the product life cycle?

[1 mark]

A Introduction ⬭

B Growth ⬭

C Maturity ⬭

D Decline ⬭

0 1 . 7 Identify **two** methods of organic growth.

[2 marks]

Method 1 _____

_____

Method 2 _____

_____

0 1 . 8 Explain **one** type of public relations (PR) activity that a business might use.

[2 marks]

_____

_____

_____

_____

0 1 . 9 Explain **one** reason for conducting market research.

[2 marks]

_____

_____

_____

_____

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0 1 . 10 Explain **one** economic influence on consumer spending.

[2 marks]

Table 1 Extract from a cash flow forecast

	July £	**August £**
Total cash inflows	3 420	3 200
Total cash outflows	4 620	3 575
Net cash flow	(1 200)	(375)
Opening balance	2 000	
Closing balance		

0 1 . 11 Calculate the closing balance for August.

[2 marks]

Workings

Answer

Question 1 continues on the next page

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0 1 . 12 State and explain **two** reasons why a business would create a business plan.

[4 marks]

Reason 1 _____

Explanation _____

_____

_____

Reason 2 _____

Explanation _____

_____

_____

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Section B

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

0 2 **Item A: Skate4U Ltd**

Skate4U Ltd manufactures and sells skateboards. The skateboards are handmade using high-quality materials. The average selling price of a Skate4U Ltd skateboard is £285. This is a high price compared to other brands that sell mass-produced skateboards.

Skate4U Ltd has decided to sponsor a team in the national skateboarding competition. This will cost a minimum of £50 000. According to the contract agreed, if the team reaches the final stages of the competition the cost of sponsorship will increase. Skate4U Ltd is considering whether to pay for the sponsorship using retained profit or an overdraft. Skate4U Ltd aims to pay off the additional cost within six months.

Interest rates on overdrafts have increased to 12% per year. Skate4U Ltd has a maximum overdraft of £65 000 available. It has already used £10 000 of this available overdraft. Skate4U Ltd made £122 000 net profit in 2020, which it planned to retain for new product development.

Table 2 Selected financial information for Skate4U Ltd

	2020	**2019**
	(£000s)	**(£000s)**
Sales revenue	610	850
Cost of goods sold	275	350
Total expenses	213	262
Non-current assets	255	268

0 2 . 1 Identify **two** fixed costs for a business.

[2 marks]

1 _____

_____

2 _____

_____

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0 2 . 2 The net profit margin for 2020 was 20%. Using **Table 2**, calculate the **change** in the net profit margin for Skate4U Ltd from 2019 to 2020.

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

[5 marks]

Formula _____

_____

_____

Workings _____

_____

_____

_____

_____

Answer _____%

Question 2 continues on the next page

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0 2 . 3 To pay for the sponsorship of a national skateboarding competition, Skate4U Ltd is considering using £50 000 of its available overdraft at the current 12% annual interest rate.

Recommend whether Skate4U Ltd should use its overdraft to fund the sponsorship.

Give reasons for your recommendation.

[9 marks]

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Question 2 continues on the next page

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0 2 **Item B: Skate4U Ltd**

Recently, sales of skateboards have fallen. To widen its product portfolio, Skate4U Ltd is considering entering a new market by developing a range of low-price scooters (non-motorised). The scooter market has grown rapidly in the last three years and is dominated by four businesses that receive 80% of the sales revenue in the market.

Skate4U Ltd currently sells high-price skateboards using high-quality materials. There are concerns about the possible negative impact on Skate4U Ltd's brand image if it begins selling low-price scooters. Skate4U Ltd will need to set clear sales targets to make sure the business will make a profit from the sale of scooters. The business can produce 10 000 scooters a year.

The market leader has recently run a successful sales promotion offering a signed scooter as a prize to the customer who creates the best new scooter design. This promotional activity resulted in an increase in its sales of 10%. Skate4U Ltd is considering which methods of promotion would be best to help gain brand awareness when entering the scooter market. Skate4U Ltd will promote the new scooters to its current market of skateboard users.

0 2 . 4 Explain **one** reason why Skate4U Ltd should calculate the number of scooters needed to break even.

[4 marks]

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0 2 . 5 The scooter market is a highly competitive market dominated by four businesses.

Analyse **one** reason why promotion would be useful to Skate4U Ltd when entering the scooter market.

[6 marks]

Extra space

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0 2 . 6 Skate4U Ltd is considering taking the risk of extending its product portfolio into a new market.

Recommend whether Skate4U Ltd should develop a range of low-price scooters.
Give reasons for your recommendation.

[9 marks]

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Section C

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

0 3 **Item C: Skyline plc**

Nadia Aslam is a wealthy entrepreneur. Two years ago, she bought a struggling airline and changed the name to Skyline plc. The airline offers low-price flights from the UK to popular European destinations. There are high levels of competition in this market.

Nadia has found out that Sibiu, a city in Romania, is becoming popular for city breaks, but no UK airlines currently fly there. Nadia is planning to buy an additional plane and start flying there. Fees and taxes at Sibiu International Airport are much higher than at other destinations. Nadia will need to consider how to cover these additional costs.

Nadia has rebranded the planes with the new Skyline plc logo and colours. To raise the finance needed she used a share issue which reduced her ownership of the business from 90% to 70%. Although her shareholders do not have a say in the day-to-day running of the business, they are able to vote on major decisions such as whether to expand. Nadia has worked hard for the past two years to make Skyline plc a profitable business. She would like to reinvest all the profits back into the business but whatever she does she must also keep her shareholders happy.

0 3 . 1 Explain **one** advantage of a strong brand image for a business.

[2 marks]

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0 3 . 2 Skyline plc is planning to introduce a new route to Sibiu in Romania.

Explain **one** factor that will influence the price that Skyline plc charges customers for each flight.

[4 marks]

0 3 . 3 As a plc, Skyline must ensure that the interests of its shareholders are met.

Analyse **one** disadvantage to Nadia of Skyline being a public limited company.

[6 marks]

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0 3 **Item D: Skyline plc**

Skyline plc is going to add a new route to the city of Sibiu in Romania. An additional plane will require extra investment of £72 million. Based on the age of the plane being considered for purchase, it is estimated that it has 12 years of service left. The plane will increase Skyline plc's profit by £108 million over its lifetime.

Skyline plc has a large database of customers. It would like to set up a telesales team to call all past and present customers individually to tell them about the new route. Not all customers have indicated that they would be happy to be contacted by telephone.

Each member of the telesales team will:
- inform customers about the city of Sibiu and then encourage them to book flights
- be provided with some information about Sibiu, but not a formal script to use
- be expected to contact at least 12 customers per hour.

0 3 . 4 Using **Item D**, calculate the average rate of return if Skyline plc purchases the new plane.

State the formula for the average rate of return and show your workings. Give your answer to **one** decimal place.

[5 marks]

Formula _____

_____

Workings _____

_____

_____

_____

_____

Answer _____ %

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0 3 . 5 Skyline plc plans to set up a telesales team to generate a high level of sales for flights to Sibiu.

Analyse **one** disadvantage to Skyline plc of using telesales to contact customers.

[6 marks]

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0 3 **Item E: Skyline plc**

The low-price flight market is very competitive and passenger numbers have fallen recently. Skyline plc's marketing department has been working to develop a solution.

Option one – use a loss leader pricing method for off-peak midweek flights.

Skyline plc has fewer customers travelling to city destinations midweek. Most people work Monday to Friday and prefer to book a short break over a weekend. Skyline plc would aim to cover costs and make a profit by charging customers more for luggage and extras such as seat upgrades and meals and drinks during the flight. Skyline plc has found that once customers have flown with them they return again and again.

Option two – keep prices the same and improve sustainability.

Consumers are increasingly aware of the environmental impact of air travel and the marketing department thinks that this will attract a new market. No other low-price airlines are promoting themselves as sustainable. A more sustainable approach would include removing all single-use plastic from Skyline plc flights and only serving drinks to customers who bring reusable cups and bottles on board. Skyline plc would also donate 1% of the profit from each flight to environmental projects to make up for the pollution the airline produces.

0 3 . 6 Skyline plc wants to increase the profit of the business. It is considering **two** options to achieve this:

- introduce loss leader pricing to increase customer numbers on midweek flights
- improve sustainability to attract a new target market.

Analyse the effect of **each** of these **two** options on the business.

Evaluate which of these **two** options will have the biggest impact on the profit of the business.

[12 marks]

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