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Surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Business Studies

International Advanced Subsidiary
Unit 2: Business Structures and Processes

Friday 22 January 2016 – Morning
Time: 1 hour 30 minutes

Paper Reference
WBS02/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Section A and Section B.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*
- In your responses, you should take particular care with punctuation and grammar, as well as the clarity of your expression.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

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SECTION A

Answer ALL questions in this section.

Write the letter of your chosen answer in the box and then explain your choice in the space provided.

You should spend 30 minutes on this section. Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

1 (a) *IBM* offers all of its graduate employees training and development programmes, including a one-day induction course.

An induction course is **most likely** to involve

(1)

A evening classes at college

B meeting new colleagues

C a job rotation programme

D a staff appraisal meeting

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 1 = 4 marks)

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2 (a) The supermarket *ASDA* estimates that a 10% reduction in income would result in an increase in demand for their value food range by 15%.

The income elasticity of demand (YED) for *ASDA*'s value food range is

(1)

A –0.67

B +0.67

C +1.5

D –1.5

Answer ☐

(b) Explain why this answer is correct. (Show your working.)

(3)

(Total for Question 2 = 4 marks)

3 (a) The department store, *John Lewis*, disappointed many customers after selling out of its 'Bear and Hare' gifts in the first weekend after the launch of its £7m Christmas TV advertisement.

This was **most likely** caused by poor

(1)

A levels of sales

B product range

C sales forecasting

D promotion of products

Answer ☐

(b) Explain why this answer is correct.

(3)

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(Total for Question 3 = 4 marks)

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4 (a) Amy, who owns *The Backstage Hair Salon* in Kuala Lumpur, wants to motivate her workers without increasing their financial rewards.

Which **one** of the following would be the best way of achieving this?

(1)

A Piecework

B Profit sharing

C Empowerment

D Bonus scheme

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 4 = 4 marks)

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5 (a) Chris Main is a personal trainer based in Manchester. He offers his clients one-to-one training sessions at their home.

How is the production of Chris Main's service best described?

(1)

A Kaizen

B Capital intensive

C Lean

D Labour intensive

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 5 = 4 marks)

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6 (a) The Finance department of *Forever Unique*, an online women's clothing business, compares budgeted overhead figures with actual figures.

This is **most likely** to result in

(1)

A holding high inventory levels

B identifying possible variances

C accepting a new order

D changing supplier credit terms

Answer ☐

(b) Explain why this answer is correct.

(3)

(Total for Question 6 = 4 marks)

TOTAL FOR SECTION A = 24 MARKS

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SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence A: Who we are

Tesco was founded in 1919 by Jack Cohen from a market stall in London's East End. We now operate in 12 countries around the world with over 3,000 stores and over 310,000 employees in the UK. Over 65% of Group sales and profits come from the UK business, where we are the market leader. We operate a decentralised structure with only six management levels between the CEO and a checkout assistant.



We pioneered grocery home shopping in 1997 and have grown to be the world's largest and most profitable online grocery retailer, with sales of well over £2bn. We also have a small number of specialised dotcom-only stores and over 150 Grocery Drive-throughs, which allow us to respond to high customer demand. Our popular Click & Collect service can be used for general merchandise and is just one of many distribution methods on offer to customers.

We're not just a grocery store – we offer our customers a range of products and services to suit their needs. From *Tesco Bank* to *Tesco Mobile* to our new *Blinkbox* video-on-demand service, we've got more than milk and eggs.

(Source: adapted from http://www.tescoplc.com/index.asp?pageid=282 and http://www.retailwire.com/discussion/16083/tescos-sir-terry-rails-against-centralized-management)

Evidence B: Tesco Charity Trust

The *Tesco Charity Trust* was set up in 1987 to support both national and local community charities, and to add a 20% top up to staff fundraising. In the year ending February 2013, the *Tesco Charity Trust* made cash donations of over £2m to local, national and international charities and supports UK charities such as Cancer Research UK's Race for Life and Diabetes UK. Each year, we set a target for donating at least 1% of pre-tax profit to charity.

We also support communities through our products. Every year our clothing brand, *F&F*, offers a range of school uniforms as part of the 'Buy One, Give One' programme. When a *Tesco* customer buys one product from the range, *F&F* donates an entire school uniform to a child in the area in which the clothing is made. With the help of our customers, *F&F* has donated more than 200,000 school uniforms to children in Kenya, Sri Lanka and Bangladesh since 2009.

(Source: adapted from http://www.tescoplc.com/index.asp?pageid=121)

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Evidence C: Price comparison websites

mySupermarket is a website that allows you to compare prices and shop online from the main UK retailers in one place. Our aim is to help you save time and money while giving you the best possible online shopping experience. All you have to do is select your favourite retailer - *Tesco*, *ASDA*, *Sainsbury's*, *Waitrose*, *Ocado*, *Aldi*, *Morrisons*, *Boots* or *Superdrug* and start shopping!



We also help you find the best online deals, offers and vouchers. While you shop, we compare your basket across all the retailers so we can suggest replacements to help you save even more money.

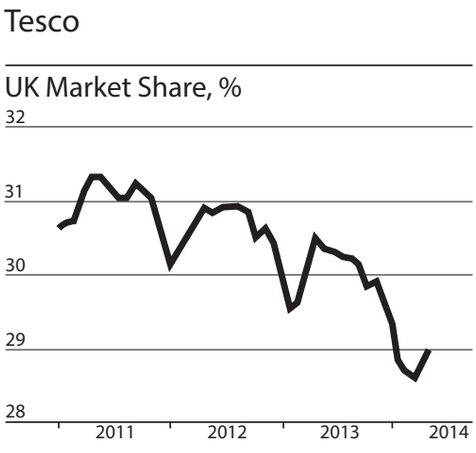
We are 100% independent from the retailers featured on our website. None of the stores or any manufacturers own a stake in the company. Our pricing information is updated daily according to your local stores.

(Source: adapted from https://www.mysupermarket.co.uk/content/aboutus)

Evidence D: *Tesco* board ousts CEO Philip Clarke after latest profit warning

After 40 years at *Tesco* Philip Clarke was replaced by Dave Lewis. Philip Clarke had failed to halt a dramatic slide in sales and profits. *Tesco* issued another profit warning in July 2014.

When Philip Clarke took over as CEO in March 2011, *Tesco*'s UK market share was 30.7% but by October 2014 that had shrunk to 28.9%. During the same period, discounter *Aldi* more than doubled in size to command a 4.7% share of the market, while *Lidl* increased its share to 3.6%.



In October 2014, more problems emerged for *Tesco* when The Serious Fraud Office launched a criminal investigation into its accounting practices after a £263m profit overstatement.

There are fears that *Tesco* employees will feel the real impact of the falling profits in an attempt to reduce costs at the troubled retailer.

(Source: adapted from http://www.theguardian.com/business/2014/jul/21/tesco-ousts-philip-clarke-after-profit-warning, http://www.theguardian.com/business/2014/oct/29/serious-fraud-office-investigate-tesco, © Guardian News & Media Ltd 2014)

7 Explain **two** possible advantages to *Tesco* of decentralisation.

(Total for Question 7 = 6 marks)

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QUESTION 8 BEGINS ON THE NEXT PAGE.

8 (a) Analyse **one** reason why *Tesco* uses a range of distribution methods.

(6)

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(b) Explain **one** factor that might affect the amount of working capital held by *Tesco*.

(6)

(Total for Question 8 = 12 marks)

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9 (a) Analyse **one** possible reason why *Tesco* has given over £2m in cash donations to charity.

(4)

(b) Evaluate the likely importance to *Tesco* of using Just in Time (JIT) management of its inventory of food products.

(8)

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(Total for Question 9 = 12 marks)

10 Assess the impact on *Tesco*'s marketing mix of the increased use of price comparison websites by customers.

(12)

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(Total for Question 10 = 12 marks)

11 Evaluate possible ways by which *Tesco* could reduce its labour costs.

(14)

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(Total for Question 11 = 14 marks)

TOTAL FOR SECTION B = 56 MARKS
TOTAL FOR PAPER = 80 MARKS

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