GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel
International
Advanced Level

Centre Number | Candidate Number

Thursday 17 January 2019

Afternoon (Time: 2 hours) | Paper Reference **WBS03/01**

Business Studies

International Advanced Level
Unit 3: Strategic Business Decisions

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 the questions in this section.

You should spend 60 minutes on this section.

Evidence A

Love Productions Ltd

Love Productions is a UK-based company that makes programmes for television. It was started in October 2004 and it is a private limited company. It specialises in producing interesting, entertaining television for UK and international audiences.

The senior editorial team has an excellent record in making documentaries, entertainment, factual entertainment, features and daytime television shows. It has made award-winning documentaries, created programmes which have sold around the world and produced long-running television series for all the major UK broadcasters.

Love Productions' award-winning shows include The Great British Bake Off, Benefits Street and Rock Stars Wives.

It has production facilities in London, Bristol and New York.

(Source: adapted from © Love Productions 2017)

Evidence B

Principal risks and uncertainties

The television industry is a risky industry affected by changes in the global economy, as well as changes in legislation, regulation and government policy. Any of these changes may affect consumer demand for television programmes and the ability to successfully finance or market television programmes.

Love Productions manages risk and uncertainties for the company as a whole, rather than separate productions. For this reason, the directors believe the company has reduced the impact of business and financial risks due to the variety of its television programmes.

(Source: adapted from *Love Productions* Limited Strategic Report for year ended 30 June 2016, signed on behalf of the board by R McKerrow, Director)

Evidence C

The Great British Bake Off

The Great British Bake Off, made in the UK by *Love Productions*, features cookery experts judging contestants in a baking competition. The British version is watched by viewers in almost 200 countries. 20 countries have been licensed to make their own versions.

(Source: adapted from © 2018 Guardian News and Media Limited)

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Evidence D

Extracts from *Love Productions* Consolidated Statement of Comprehensive Income Year ended 30 June 2016

	Year to 30 June 2016	Year to 30 June 2015
	£	£
Revenue	19 521 230	22 912 193
Cost of sales	13 051 879	15 036 753
Gross profit	6 469 351	7 875 440
Administrative expenses	4 952 755	4 675 273
Other income	3 069	4 549
Tax on profit on ordinary activities	308 173	52 423
Profit for the year	1 211 492	3 152 293

(Source: adapted from *Love Productions* Limited Financial Statements, 30 June 2016)

Evidence E

Extracts from *Love Productions* Statement of Financial Position Year ended 30 June 2016

	Year to 30 June 2016	Year to 30 June 2015
	£	£
Current assets	8 096 414	7 479 947
Current liabilities	4 333 390	2 911 386

(Source: adapted from *Love Productions* Limited Financial Statements, 30 June 2016)

1 (a) What is meant by the term private limited company? (Evidence A, line 3)

(2)

(b) What is meant by the term risk? (Evidence B, line 6)

(2)

(Total for Question 1 = 4 marks)

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2 Explain how the diversification shown in Evidence A can affect company growth.

(Total for Question 2 = 6 marks)

3 Liquidity is the ability of a business to meet its short-term debts.

Analyse the liquidity of *Love Productions*, using the figures in Evidence E.

(Total for Question 3 = 8 marks)

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4 Assess the profitability of *Love Productions* by comparing its 2016 figures with its 2015 figures. (Evidence D)

(10)

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(Total for Question 4 = 10 marks)

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5 *Love Productions* has the option of selling the existing UK programmes to other countries or developing new versions that meet the individual needs of each country.

Assess the value to *Love Productions* of using Ansoff's matrix when making this decision.

(12)

(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

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SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence F

The media business *BSkyB* confirms purchasing 70% of *Love Productions*

BSkyB confirmed that it has bought a 70% stake in *Love Productions*, the company behind The Great British Bake Off, as part of a move to expand its programme-making and distribution business.

Love Productions' founders Richard McKerrow and Anna Beattie will stay with the company, which *BSkyB* said would continue to operate as a separate production operation, making programmes for other broadcasters.

Love Productions has offices in the UK and USA. In addition to making The Great British Bake Off, it also makes a range of other programmes covering a wide variety of topics.

BSkyB's distribution company, *Sky Visions*, will take over selling the new *Love Productions* programmes, although all existing deals with other broadcasters and distributors will remain in place.

(Source: adapted from © 2018 Guardian News and Media Limited)

Evidence G

***BSkyB* to be rebranded as *Sky* after takeover of European companies**

BSkyB was formed in 1990 by the merger of Rupert Murdoch's *Sky Television* with *British Satellite Broadcasting*.

BSkyB is to scrap the word 'British' from its branding after almost 25 years, as the company becomes a major European TV company following the £6.88bn takeover of companies in Germany and Italy.

The word 'Broadcasting' is also being dropped to reflect the company's evolution beyond TV into a multimedia content company.

The new, larger, company, which is 39.1% controlled by Rupert Murdoch's *21st Century Fox,* will revert to the *Sky* name that Murdoch used when launching into the UK TV market at the end of the 1980s.

The takeover of European TV companies by *Sky* will see Murdoch achieve a long-held ambition of creating a European TV business. *Sky* will now have more than £11bn in revenues and 20 million customers in the UK, Germany, Italy, Austria and Ireland.

(Source: adapted from © 2018 Guardian News and Media Limited)

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6 Evidence F states that *BSkyB* will become a major stakeholder in *Love Productions*.

Assess *BSkyB*'s strategic decision to buy such a large share of a relatively small production company such as *Love Productions*.

(20)

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(Total for Question 6 = 20 marks)

7 *BSkyB* is changing its name and rebranding itself as *Sky*.

Evaluate the extent to which this will improve *Sky*'s competitive advantage.
(Evidence G)

(20)

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(Total for Question 7 = 20 marks)

TOTAL FOR SECTION B = 40 MARKS
TOTAL FOR PAPER = 80 MARKS

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