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Please check the examination details below before entering your candidate information

| Candidate surname | Other names |
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**Pearson Edexcel**
**International Advanced Level**

Centre Number | | | | | |

Candidate Number | | | | |

# Thursday 23 May 2019

Afternoon (Time: 2 hours) | Paper Reference **WBS12/01**

# Business

## International Advanced Subsidiary/Advanced Level
## Unit 2: Managing business activities

**You must have:**
Source Booklet (enclosed)

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 Sections A, B and C.
- 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.*
- 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

**Read Extracts A and B in the Source Booklet before answering Question 1.**

**1** (a) Define the term 'venture capital'. (Extract A, line 14)

**(2)**

(b) Using the data in Extract B, calculate, to two decimal places, the gross profit margin for *Zwift* in 2017. You are advised to show your working.

**(4)**

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(c) Analyse **two** possible advantages for *Zwift* of using a business plan when setting up the business.

**(6)**

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(d) Discuss the likely advantages for *Zwift* of having limited liability.

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(e) Assess the likely impact on *Zwift* of a competitor entering the market of virtual reality cycling.

**(10)**

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**(Total for Question 1 = 30 marks)**

**TOTAL FOR SECTION A = 30 MARKS**

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## SECTION B

**Read Extracts C and D in the Source Booklet before answering Question 2.**

**2** (a) Define the term 'consumer trends'. (Extract C, line 3)

**(2)**

(b) Using the data in Extract D, calculate the gross profit for *Starbucks* for the 12 months ending 31 October 2017. You are advised to show your working.

**(4)**

(c) Analyse **two** possible reasons why quality management may be important to *Starbucks.*

**(6)**

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*Starbucks* uses cost and revenue budgets at each of its coffee houses in order to meet business objectives such as profit maximisation.

(d) Discuss whether budgeting will always allow *Starbucks* coffee houses to meet its objectives.

**(8)**

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(e) Assess how legislation requiring an additional 25p charge on disposable coffee cups is likely to affect *Starbucks*.

**(10)**

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**(Total for Question 2 = 30 marks)**

**TOTAL FOR SECTION B = 30 MARKS**

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## SECTION C

**Read Extracts E and F in the Source Booklet before answering Question 3.**

**3** Evaluate whether the depreciation of the pound sterling (£) is likely to be the main reason for the increase in demand for British products between 2016 and 2017.

**(20)**

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**(Total for Question 3 = 20 marks)**

**TOTAL FOR SECTION C = 20 MARKS**
**TOTAL FOR PAPER = 80 MARKS**

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Pearson Edexcel International Advanced Level

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# Business

## International Advanced Subsidiary/Advanced Level
## Unit 2: Managing business activities

**Source Booklet**
**Do not return this Source Booklet with the question paper.**

*Turn over* ▶

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## Sources for use with Section A

### Extract A

### What is *Zwift*?

Millions of people around the world enjoy cycling. However, the weather or road conditions can sometimes make it difficult or even impossible to take part in this activity. *Zwift* created a solution to this by introducing a virtual reality computer program, which combines cycling with computer gaming. The cyclist rides their bicycle indoors while it is attached to a fixed frame, so the bicycle does not actually move. This allows the cyclist to watch their progress on a virtual road on a computer screen. People of all cycling abilities can improve their fitness at the same time as enjoying social interaction with fellow cyclists from around the world.

By paying *Zwift* a $10 fee every month to use the game, the cyclist's efforts can be displayed in a virtual world on the computer screen, complete with maps, roads, landscapes and other riders to interact with.

Jon Mayfield and Eric Min, both keen cyclists, launched *Zwift* as a private limited company in 2014, with an initial investment of $3m, followed by venture capital of $27m in 2016. The statistics are certainly impressive. In October 2017, *Zwift* had more than 300,000 riders from over 150 countries. Between them they had collectively logged 218,128,291km. There are currently no direct competitors to *Zwift* and with several additions to the game being planned its success looks set to continue.

### Extract B

### Selected financial information for *Zwift* for year ending 31 December 2017

| | $ |
|---|---|
| Revenue | 36 000 000 |
| Cost of sales | (21 000 000) |
| Gross profit | 15 000 000 |

## Sources for use with Section B

**Extract C**

**UK Government will consider additional 25p charge on disposable coffee cups**

The UK Government is considering adding an additional charge of 25p on all disposable coffee cups. This is aimed at helping the environment. Consumer trends have already shown people are prepared to pay more in order to prevent billions of tonnes of waste packaging ending up in the world's oceans, such as with the success of the existing 5p charge on plastic bags.

The proposal was announced by the UK Prime Minister as part of the government's 25-year environmental plan. The focus is on the need to reduce the amount of plastic thrown away each year.

The UK currently throws away approximately 2.5 billion disposable coffee cups every year with only a small number being recycled. If government plans go ahead, it is estimated the 25p charge could raise £438m and reduce use of the throw away cups by 30%.

*Starbucks* is to trial the additional charge, in London, but with a lower initial charge of 5p per cup. A spokesman for the coffee house chain from the US said its procedures were focused on reducing environmental concerns at the same time as maintaining the great taste, quality and service customers expect from *Starbucks*. Money raised will go to environmental charities researching better ways to recycle and protect the environment.

*Starbucks* currently sells reusable cups for £1 and offers a small discount for people using their own cup. It is the second biggest coffee house chain in the UK (after *Costa Coffee*) and the average price of its coffee is around £2.50.

**Extract D**

**Selected financial information from *Starbucks'* consolidated income statement 12 months ending 31 October 2017**

| | **$** |
|---|---|
| Revenue | 22 386 800 000 |
| Direct costs | 9 038 200 000 |
| Interest | 92 700 000 |
| Taxes | 1 432 600 000 |

## Sources for use with Section C

### Extract E

**How successful are small to medium-sized businesses in the current export market?**

Small to medium-sized businesses make up 99.9% of all businesses in the UK. A survey by *eBay* found that people in other countries buy British-made goods and services because of positive perceptions of their quality, a reputation for good customer service, and the familiarity of many British 'brands' such as the BBC, music artists and the Royal Family.

The survey found many of the small business owners that responded have had an increase in demand between 2016 and 2017 from customers wanting to buy British goods. The Office for National Statistics (ONS) reports that the UK exported £550bn in goods and services in 2016.

Historically, one of the most significant challenges to exporting businesses has been the exchange rate. However, since the EU referendum Brexit vote in June 2016, the pound sterling (£) has depreciated.

### Extract F

**Exchange rate of the pound sterling (£) against the euro (€)**

| Date | Exchange rate of £1 in euros (€) |
|---|---|
| 1st July 2015 | 1.40 |
| 1st July 2016 | 1.19 |
| 1st July 2017 | 1.14 |

**Acknowledgements**

Extract A adapted from © Road Cycling UK 2018

Extract B adapted from © Telegraph Media Group Limited 2018

Extract C Government will consider 25p 'latte levy' on disposable coffee cups, says Michael Gove, by Jack Maidment © The Telegraph - January 2018

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