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

Friday 10 January 2020

Morning (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.

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SECTION A

Read Extract A in the Source Booklet before answering Question 1.

1 (a) Define the term 'profit'. (Extract A, line 12)

(2)

Tharindu sells his T-shirts for 2 000LKR.

(b) Using the data in Extract A, calculate the break-even point for Tharindu's business. You are advised to show your working.

(4)

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(c) Analyse **two** possible effects of poor inventory control for Tharindu.

(6)

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Tharindu wants to use sales forecasting before making any decisions about his business.

(d) Discuss the extent to which the actions of competitors may affect Tharindu's sales forecasts.

(8)

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Tharindu is considering using a loan to buy a car for his business.

(e) Assess whether this method of finance is the most suitable for Tharindu.

(10)

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(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS

SECTION B

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

2 (a) Define the term 'business plan'. (Extract B, line 19)

(2)

(b) Using the data in Extract B, calculate the capacity utilisation for *George's Tavern* at lunchtime in September. You are advised to show your working.

(4)

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Damien and Benedict use cash-flow forecasts to help run *George's Tavern*.

(c) Analyse **two** benefits for a business, such as *George's Tavern*, of using cash-flow forecasts.

(6)

The recent rate of inflation in Cyprus began to increase after April 2018.

(d) Discuss the extent to which this increase might have an impact on *George's Tavern*.

(8)

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Damien and Benedict want to make sure *George's Tavern* continues to be profitable.

(e) Assess how Damien and Benedict might improve profitability.

(10)

(Total for Question 2 = 30 marks)

TOTAL FOR SECTION B = 30 MARKS

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SECTION C

Read Extract D in the Source Booklet before answering Question 3.

3 Evaluate whether *Solutions Accountancy* should float its business on the stock market.

(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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Source Booklet

Do not return this Source Booklet with the question paper.

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Source for use with Section A

Extract A

Anyone for cricket?

Tharindu Jayantha spends most days working for his parents at the family-owned grocery shop in Kandy, Sri Lanka. However, when there is an international cricket match in the country, the 24 year old packs a suitcase and becomes his own boss.

"When I was young, I used to make a few rupees by painting flags on the faces of cricket supporters outside the stadium," said Tharindu, "but when I saw how much international cricket supporters would pay for a souvenir T-shirt, I knew I should change what I was selling."

In 2011, Sri Lanka hosted the Cricket World Cup and several matches were played at the Pallekele stadium near Kandy. This was followed in 2012 by another international cricket tournament, the World Twenty20. With the opportunity to put his ideas into practice so close to home, Tharindu was able to make enough profit to allow him to buy more T-shirts and travel to other stadiums in Sri Lanka whenever international cricket teams visited.

"Although most of the time matches are only for one day, my expenses are just a sales pitch permit, transport and accommodation, totalling 5 400 Sri Lankan rupees (LKR). I also pay 650LKR to buy each T-shirt but I have always been able to sell everything," Tharindu continued. "It can be a problem to carry the T-shirts by myself on the train or bus, especially when there are delays and I have to change transport. I have considered paying someone to help me or even buying my own car but there is a lot of competition so I need to do some sales forecasting before making any decisions."

Sources for use with Section B

Extract B

Traditional restaurant with a difference

George's Tavern is located in an old house, in the pretty and traditional village of Yeroskipou in Cyprus. The village is only 5 km away from the coastal city of Paphos, which is popular with tourists. The restaurant serves Mediterranean and Greek food. It is unique because there is no menu, instead it serves a set selection of food prepared with locally grown and seasonal ingredients.

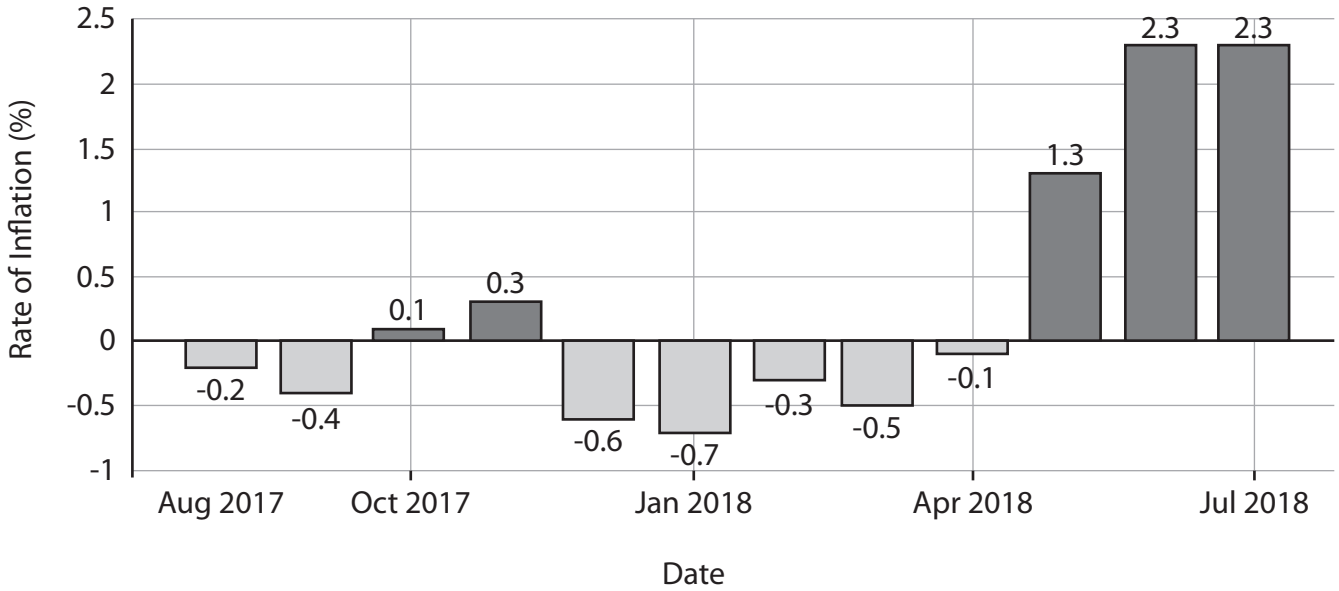
The small portions of different food only include what is in season, so you might get hand-picked asparagus, wild mushrooms with fresh herbs, aubergines and potatoes in tomato, or tender *kleftiko* (oven-baked lamb) from local farmers. Even the drinks are home-made, using ingredients from the family's vegetable garden.

Evening diners must reserve a table, due to high demand. At lunchtime it is often much quieter. For example, in September *George's Tavern* could have catered for 1,500 lunchtime customers but only served 1,110. Once seated, diners can then stay for the whole afternoon (noon until three o'clock) or evening (seven until eleven o'clock), as dishes are served until diners can eat no more.

The restaurant is open Tuesdays to Saturdays and charges a fixed price of €25 per person for all food served during the sitting. Damien and Benedict are the sons of the founder, George. They now run the restaurant and are eager to make sure *George's Tavern* continues to follow the original business plan and be successful.

Extract C

Cyprus rate of inflation August 2017 to July 2018



Source for use with Section C

Extract D

Solutions Accountancy

UK based *Solutions Accountancy* was established in 2007 to provide fixed fee accountancy services to businesses. Its aim is to be an approachable and innovative business that puts customers first.

The business grew quickly from a sole trader to a private limited company. The four directors are all family members and it is considered very much a family business by all involved. This friendly, family culture has remained important over the years to the employees of *Solutions Accountancy* and to its customers.

Solutions Accountancy has some very important core values. The directors consider it important to maintain the following values:

- Honesty at all times
- Fair pricing
- Maintaining excellent customer service
- Prioritising employee welfare and development
- Maintaining a strong statement of financial position.

The business has continued to experience growth every year and its financial records show good, sustainable profits. However, the directors have noticed that the rate of growth has started to slow and there is a concern the future may not be as successful if this trend continues.

In order to increase the growth rate there would be a need for more investment, particularly in software and to recruit additional employees. It is also thought that the directors may lack some of the wider marketing and operational skills that would be required in a bigger company.

As a result, they are considering floating *Solutions Accountancy* on the stock market.

Acknowledgements

Extract B adapted from: https://www.lonelyplanet.com/cyprus/pafos/restaurants/seven-st-georges-tavern/a/poi-eat/1435291/358813

Extract C adapted from: https://tradingeconomics.com/cyprus/inflation-cpi

Extract D adapted from: http://www.solutionsaccountancy.co.uk/

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