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 15 May 2020

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.

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SECTION A

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

1 (a) Define the term 'health and safety'. (Extract A, line 11)

(2)

(b) Using the data in Extract A, calculate the average total cost of an item of clothing made by *Lotus Garments Co*. You are advised to show your working.

(4)

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(c) Analyse **two** possible problems for *Lotus Garments Co.* of using just in time (JIT).

(6)

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(d) Discuss the importance to *Lotus Garments Co.* of using total quality management (TQM) to remain competitive.

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(e) Assess the likely impact on *Lotus Garments Co*. of the recent changes in Egyptian interest rates.

(10)

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(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS

SECTION B

Read Extract C in the Source Booklet before answering Question 2.

2 (a) Define the term 'break-even'. (Extract C, line 16)

(2)

(b) Using the data in Extract C, calculate to two decimal places, the operating profit margin for *Soul Boul* in 2018. You are advised to show your working.

(4)

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(c) Analyse **two** reasons why *Soul Boul* could be described as a lifestyle business.

(6)

Stacey and Alexandra used their personal savings to set up *Soul Boul*.

(d) Discuss whether the use of personal savings is a suitable source of finance for a business such as *Soul Boul*.

(8)

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Before setting up *Soul Boul* with her co-founder, Stacey considered her experience of working at a hotel that failed.

(e) Assess whether the causes of the hotel failing as a business are likely to be avoided by *Soul Boul*.

(10)

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(Total for Question 2 = 30 marks)

TOTAL FOR SECTION B = 30 MARKS

SECTION C

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

3 Evaluate whether a historical or zero based budget is more likely to help *Kenya Airways* return to being a profitable company.

(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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P 6 1 8 3 9 A

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Sources for use with Section A

Extract A

Lotus Garments Co.

Egyptian business *Lotus Garments Co.* is one of the leading clothing manufacturers in the world. It produces clothing for the biggest names in denim such as *Levi Strauss & Co.* and the Wrangler and Lee brands owned by the *V F Corporation*.

Chairman and CEO Hossam Gabr, previously produced jackets and trousers but entered the denim business in 2002. Today 11,800 skilled employees at the Port Said factory can produce up to 26,000,000 items of clothing a year.

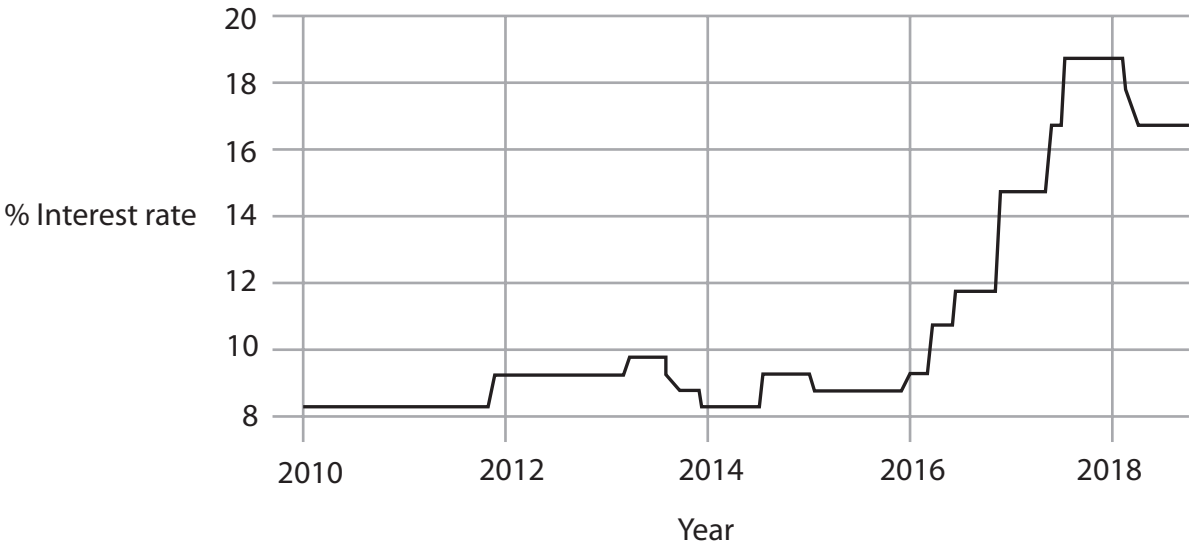
Lotus Garments Co. has recently adopted both just in time (JIT) and total quality management (TQM) in order to keep up with international competition and give the flexibility to meet its customers' needs. The business meets all international standards for quality, production and health and safety.

Although most pairs of jeans are exported to the USA, *Lotus Garments Co.* also supply clothing retailers in Egypt. It is planning to do two things. Firstly, to increase its sales in Egypt and secondly to reduce its annual total costs of $420m.

By working closely with local suppliers *Lotus Garments Co.* believes it can continue to meet the needs of its customers for many years to come.

Extract B

Egyptian interest rates from 2010 to 2018



Source for use with Section B

Extract C

Beach in the summer, Bali in the winter

Soul Boul is a small business selling smoothie bowls from a beachside cafe in New Zealand. The smoothie bowls are made with yogurt, fresh fruit and topped with berries, seeds and more fresh fruit. The colourful bowls look amazing, are fun to eat and taste delicious.

Co-founders, Stacey Horton and Alexandra Bell, met at university and became friends through a shared interest in nutritious food and healthy lifestyles. The idea for *Soul Boul* came from a holiday Alexandra took to Bali, Indonesia.

"I was amazed at all the incredible, healthy foods available there, which included numerous smoothie bowls. I spent a considerable amount of time taste-testing different recipes in Bali. I began to think of business names and logo concepts and came back to New Zealand to ask Stacey if she would set up a lifestyle business with me," Alexandra explained.

Stacey and Alexandra had previously worked in the hospitality industry for six years and saved a lot of their wages during that time. However, Stacey lost her job when her former employer's business failed to break-even and closed down. Therefore, she was initially reluctant to risk her savings.

"I worked for a busy tourist hotel," said Stacey. "It had a lot of guests but also a lot of competition, with three other hotels competing for business within 1 km. At first I was worried *Soul Boul* may end up as a failing business too but then I realised the reasons the hotel failed were things we could make sure did not happen to us."

"The quality of our ingredients is always high," said Stacey. "The hotel manager was not interested in maintaining quality. He said foreign guests were unlikely to return anyway but there would always be other tourists to replace them! This led to negative reviews on social media and the poor reputation spread."

Stacey took the positives from her experience in hospitality and learned from the negatives. Stacey and Alexandra have a positive attitude, plenty of energy for their ideas and are prepared to work hard. It does help that they earn enough during the summers working to be able to spend winters relaxing on a low budget in Bali, whilst sampling new ideas for ingredients.

In 2018, *Soul Boul*'s revenue totalled NZ$104 625 from selling smoothie bowls at NZ$12.50 each. By keeping costs to a minimum, operating profit was NZ$32 175.

Sources for use with Section C

Extract D

Kenya Airways optimistic about financial recovery

Kenya's well-known airline *Kenya Airways*, offers international and domestic flights. The company is one of the most respected companies in the country and has an excellent reputation for employment. However, in recent years it has made a net loss. Although its finances have been improving, it may be some time before this can be turned into a net profit.

"The last thing I would say is we are out of trouble," said Chief Executive, Sebastian Mikosz. "It will take another two years of growth and cost control before we can say we are more optimistic." He went on to blame a 20% fall in domestic flights in 2017 on the economic climate in Kenya but said that was, "an improving situation".

The Kenyan Government now owns 48.3% of the airline. In order to continue its financial restructuring and meet its aim of returning to profitability, *Kenya Airways* is reviewing the type of budget it uses.

In spite of all the positives, fuel costs rose by 22% between June and November 2017 meaning the airline may struggle to become more competitive and expand as much as it would like. However, *Kenya Airways* started direct flights from the capital city, Nairobi, to the US in October 2018. This improved its reputation considerably and showed its determination to improve its financial situation. This is a big step in the return to being 'the pride of Africa'.

Extract E

Net loss for *Kenya Airways*

Year	Net loss Kenyan shillings (Ks)
2017	5.97 bn
2016	10.2 bn
2015	29.7 bn

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Acknowledgements

Extract A adapted from: https://www.lotusgarments.com/history

Extract B adapted from: https://tradingeconomics.com/egypt/interest-rate

Extract C adapted from: https://thespinoff.co.nz/business/06-10-2018/beach-in-summer-bali-in-winter-how-smoothie-bowls-gave-two-friends-a-dream-lifestyle/

Extract D and **Extract E** adapted from: Kenya Airways 'optimistic' mid-turnround by John Aglionby ©Financial Times, 21 March 2018 and https://answersafrica.com/best-companies-work-kenya.html

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