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

Monday 11 January 2021

Morning (Time: 2 hours)	Paper Reference **WBS12 / 02**

Business

International Advanced Subsidiary
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.

Write your answers in the spaces provided.

1 (a) Define the term 'statement of comprehensive income'. (Extract A, line 17)

(2)

(b) Using the data in Extract A, explain **one** way the change in the contribution of a vegan roll may affect *Greggs'* break-even point.

(4)

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(c) Using the data in Extract B, analyse **two** possible ways the manager of this *Greggs'* shop could use the inventory control diagram.

(6)

(d) Discuss how variance analysis could be helpful to *Greggs* when making future decisions.

(8)

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(e) Assess the advantages of using batch production for a business such as *Greggs*.

(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.

Write your answers in the spaces provided.

2 (a) Define the term 'bank loan'. (Extract C, line 3)

(2)

(b) Using the data in Extract C, calculate the **monthly** sales volume for *Sew Sew*.
You are advised to show your working.

(4)

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(c) Analyse **two** possible advantages of being a sole trader for a business such as *Sew Sew*.

(6)

(d) Discuss the extent to which health and safety and consumer protection legislation may affect a business such as *Sew Sew*.

(8)

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(e) Assess whether financial forecasts are the most important part of a business plan for a business such as *Sew Sew*.

(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.

Write your answer in the space provided.

3 Evaluate whether market conditions were likely to have been the main cause of the problems for *GameStop* in 2019.

(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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Sources for use with Section A

Extract A

Vegan* roll success boosts *Greggs*' profit outlook

Greggs is the largest chain of bakeries in the UK. Products are sold through its own shops that specialise in selling savoury products. *Greggs* successfully launched its new vegan roll at the start of 2019. This success caused management to increase *Greggs*' profit expectations for the year. The budgeted income in January 2019 was £85 000m but actual income was £97 870m. *Greggs* said it had experienced an 'exceptionally strong start' to the year resulting from the launch of the vegan roll.

The company took 12 to 18 months developing the vegan rolls that are priced at £1.00 each. The variable cost for the product has fallen from £0.27 to £0.26. *Greggs* said that the 'extensive publicity' surrounding the launch has resulted in its improved trading. While the demand for vegan rolls continues to rise, sales of other *Greggs* products increased by 14.1%.

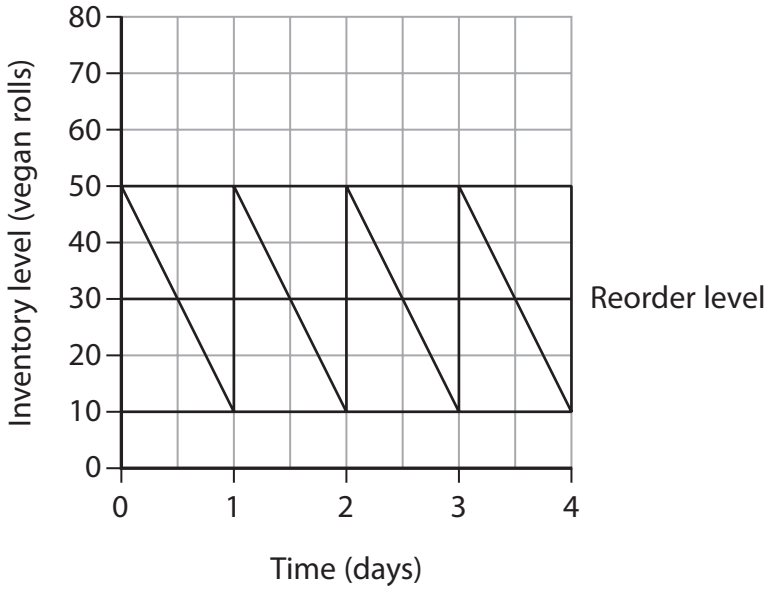
Vegan rolls are now sold in 1,492 *Greggs* shops and soon the rolls will be sold in all its 1,950 shops. Catering for vegan diets is now a rising priority for many food retailers.

Greggs' overall rate of sales growth slowed down in February 2019, but continued to be high in relation to February 2018. *Greggs* said the strength of sales to date was likely to have an impact on its statement of comprehensive income. This is especially true because sales fell as a result of poor weather during the same period in 2018.

* vegan: consumers who do not eat any animal-based products; only plant-based products

Extract B

Inventory control diagram showing movements of vegan rolls at a *Greggs*' shop



Source for use with Section B

Extract C

Sew Sew

Gitte is a sole trader. She operates a small sewing business, *Sew Sew*, from her flat in Copenhagen, Denmark. She set up the business in 2011, after obtaining a small bank loan. At first, *Sew Sew* made a range of garments. However, sales of one item, a bib* for a baby, were much higher than everything else she made. Therefore, *Sew Sew* now specialises in making bibs for babies.

Sew Sew sells a range of bib designs throughout the year, using an online sales platform. It also makes speciality bibs for international occasions such as the football World Cup and the Olympic Games. Gitte tries to have an inventory of standard bibs so she can switch to making the speciality bibs when there is an increase in demand. The price of each bib is 125 Danish Krone (DKK) regardless of the design.

Even though costs are higher, *Sew Sew* prefers to use a velcro fastening to attach the bib around the neck of the baby instead of string. "European safety advice warns of the danger to children when things are tied around their necks," said Gitte. "Velcro separates easily when pulled apart, so it is much safer".

Gitte continued, "Sewing is my hobby and I enjoy doing that for work. Even though sales revenue is 480 000 DKK per year, I only earn the minimum wage of 110 DKK per hour. I used to earn 135 DKK per hour working part-time at *McDonald's* but that was just to earn some money between studying and deciding what I really wanted to do."

* bib: a piece of cloth worn around a baby's neck to keep its clothes clean while eating

Sources for use with Section C

Extract D

GameStop is in a tough place

GameStop is a US-based retailer selling video games. Its revenue from sales decreased 3.06% to $8 285m in the year to February 2019. This led to a net loss of $673m during the same period; a fall of 8.1%. However, in the first quarter of the current financial year, sales have fallen 14.3%.

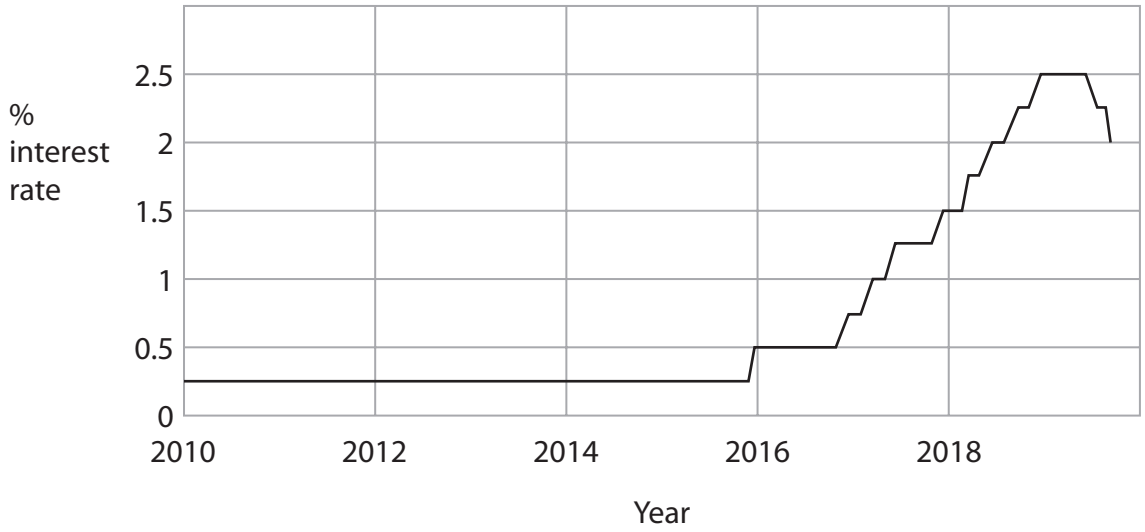
As part of its cost-saving plan, *GameStop* said it will close 180 to 200 underperforming stores by the end of February 2020. The company also made 120 employees redundant in August 2019. *GameStop* paid over $50m in interest on repayments during the year to February 2019. In the same period, administrative expenses increased from 22.4% to 22.9% of sales the previous year.

"We're at the end of the physical video games cycle," said a spokesman. "Video gaming as an industry is growing. It is our business that needs to make some changes." The physical sales of video games, one of *GameStop*'s main products, have fallen over the past 10 years. Video game websites that sell downloads of the games, such as *IGN* and *Electronic Arts*, have taken over as the way most consumers buy video games. It was reported that less than 40% of US video game sales in 2018 were physical copies.

Video gaming must now follow government regulations. Concerns that it is addictive and promotes violence have led to restrictions across the gaming industry. Health concerns over 'gaming' have also led to the provision of clinics where video game addicts can obtain help.

Extract E

US interest rates from 2010 to 2019



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Acknowledgements

Extract A adapted from: Vegan sausage roll success boosts Greggs' profit outlook By Myles McCormick © Financial Times, FEBRUARY 19 2019

Extract E adapted from: www.TradingEconomics.com