Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Time 2 hours

Paper reference **WBS13/01**

Business

International Advanced Level
Unit 3: Business decisions and strategy

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–E in the Source Booklet before answering Question 1.

Write your answers in the spaces provided.

1 (a) Explain **one** way a shareholder of *IAG* might be affected by the data shown in Extract A.

(4)

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(b) Using Extract B, calculate the simple payback period for an *Airbus* A350-1000 aircraft. You are advised to show your working.

(4)

(c) Discuss the possible problems that might arise from *IAG*'s takeover of *Air Europa*.

(8)

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(d) Assess the extent to which contingency planning might have reduced the risk of an IT systems failure for a business such as *BA*.

(12)

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(e) Assess the likely strategic benefits for *BA* of reducing its environmental impact.

(12)

(Total for Question 1 = 40 marks)

TOTAL FOR SECTION A = 40 MARKS

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SECTION B

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

Write your answer in the space provided.

2 Evaluate whether a business such as *Microsoft Japan* should permanently introduce a four-day working week to increase labour productivity.

(20)

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION C

Read Extracts G and H in the Source Booklet before answering Question 3.

Write your answer in the space provided.

3 Using the data in Extracts G and H, evaluate *Pandora*'s strategic decision to focus its core business on selling bracelets and charms.

(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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GradeMax

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

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Sources for use with Section A

Extract A

British Airways: a cash cow

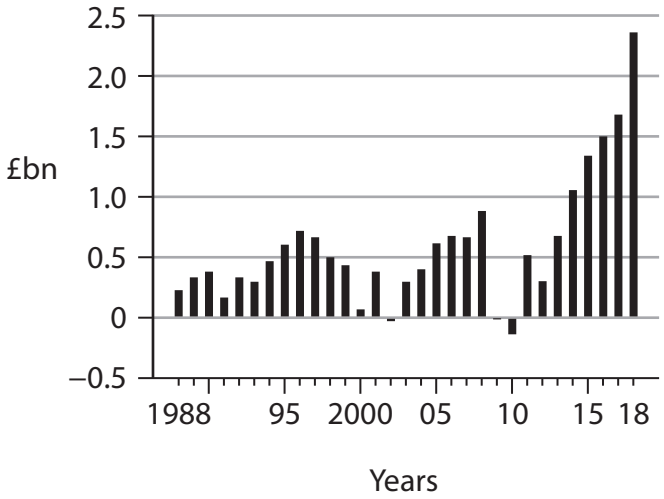
British Airways (*BA*) is the second largest airline in the UK and is part of a larger group of airlines. *BA* merged with *Iberia* in 2011 to create *International Consolidated Airlines Group* (*IAG*), which has since taken over *Aer Lingus*, as well as *Vueling* and *Level*, two low-cost airlines. 5

Financially, *IAG* outperforms Europe's other big airlines. *BA* is the main reason for this. Its return on capital has grown and it provides the largest share of *IAG*'s operating profits.

IAG total returns on capital
(Base year 2011 = 100)



British Airways operating profit (£bn)



Extract B

Selected data for an *Airbus* A350-1000 aircraft

Purchase price	$366m
Average length of service	27 years
Average yearly net cash flow	$30.5m
Average number of seats	380

Extract C

***IAG* buys *Air Europa* for €1bn**

IAG is spending €1bn to buy *Air Europa*, another Spanish airline. *Air Europa* serves 69 destinations. *Air Europa* is the third largest Spanish airline after *Iberia* and *Vueling* – both of which are already owned by *IAG*.

In 2018, *Air Europa* made an operating profit of €100m. It had a revenue of €2.1bn from 11.8 million passengers. It serves many niche destinations in South America including Paraguay, Colombia and Iguazú on the border of Argentina and Brazil.

Extract D

Angry passengers as tens of thousands affected by *BA* systems failure

In August 2019, *BA* had many angry passengers as more than 500 flights were cancelled or delayed as a result of an IT systems failure. It affected the travel plans of tens of thousands of people with holiday and business plans travelling from London's Heathrow, Gatwick and City airports. This was not the first time *BA* has had IT failures.

In 2017, 75,000 passengers were stranded around the world when *BA* was forced to cancel more than 700 flights over three days due to IT systems failures. A data breach in 2018 affected 400,000 customers and led to a fine of £183m. *BA* claimed it regularly carries out detailed risk assessments of its IT systems and IT infrastructure. It is dependent on IT systems for many of its key business processes.

Extract E

***BA* to offset domestic flight emissions from 2020**

BA will offset all domestic CO_2 flight emissions from 2020, after its owner *IAG* became the first airline group to commit to net zero-carbon flying by 2050. *IAG* is responsible for about 3% of global aviation's CO_2 emissions. Offsetting allows businesses to invest in environmental projects to balance out their own carbon footprints.

Chief executive of *IAG*, Willie Walsh, said that the company would reach the net zero-carbon target through offsetting but it already has a strong environmental policy that significantly reduces its environmental footprint by recycling and cutting waste from aircrafts.

Walsh said *BA* is replacing older, less fuel-efficient aircraft. He said the new *Airbus* A350-1000, which has just entered service on the transatlantic route to Toronto, would typically use 43 instead of 70 tonnes of jet fuel to carry a similar number of passengers.

Source for use with Section B

Extract F

***Microsoft Japan* four-day working week and productivity gains**

For the month of August, *Microsoft Japan* trialled a new project called Work-Life Choice Challenge Summer 2019. It gave its 2,300 employees every Friday off in August without decreasing pay. The business said it also reduced the time spent in meetings by having a 30-minute limit and encouraging remote communication.

The shortened weeks led to more efficient meetings, happier employees and boosted productivity by an amazing 40%. As part of the programme, the company also subsidised family holidays for employees up to ¥100 000 ($920).

"Work a short time, rest well and learn a lot," *Microsoft Japan* President and CEO Takuya Hirano said in a statement on *Microsoft Japan*'s website. "I want employees to think about and experience how they can achieve the same results with 20% less working time."

In addition to the increased productivity, employees took 25% less time off during the trial and electricity use was down 23% in the office with the additional day off per week. Employees printed 59% fewer pages of paper during the trial. The vast majority of employees – 92% – said they liked the shorter week.

Microsoft Japan's Work-Life Choice Challenge was a trial project and it is not known if these changes will be implemented in offices elsewhere in the world or on a longer-term basis. There are plans to repeat this challenge later in the year.

Sources for use with Section C

Extract G

Pandora hopes the overhaul of its brand will charm young buyers

Pandora's shops 'have become out of date', its brand 'a bit confused' and 'the business has been struggling for some time'. These judgments on the Danish jeweller, famous for its collectable silver bracelets and charms, come not from a rival business but from its own chief executive, Alexander Lacik. *Pandora* became the world's largest jewellery brand in volume terms relatively quickly and had few global rivals. In recent years sales have started to decline and its share price has fallen by two-thirds since 2016.

Lacik argues that the key to *Pandora*'s success is its charm bracelets, which account for about 70% of its sales and allow customers to collect and easily switch between different charms. Lacik says he wanted to keep the focus of its relaunch 'very narrow' and focus on its core products. He was unhappy with the business's efforts to expand into rings and other jewellery products.

Pandora is updating its physical and e-commerce stores. It is introducing new products including charms designed to target younger consumers, particularly teenage girls. *Pandora* has launched a line called Pandora Me that consists of a bracelet, earrings and brooch that is customisable with dozens of mini charms. Other high-profile product launches will include Harry Potter branded jewellery and a range based on *Disney*'s Frozen films.

Extract H

Selected data from *Pandora*'s 2018 Annual Report

	2018 (DKKm)	2017 (DKKm)
Revenue	22 806	22 781
Gross profit	16 942	16 966
Operating profit	6 431	7 784
Profit for the financial year	5 045	5 768

Revenue by product	2018 (DKKm)	2017 (DKKm)	Growth (%)
Charms	12 126	12 920	–6%
Bracelets	4 393	3 965	11%
Rings	3 168	3 161	0%
Earrings	1 486	1 418	5%
Necklaces and pendants	1 633	1 317	24%

(DKK = Danish Krone)

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Acknowledgements

Extract A adapted from: https://www.economist.com/business/2019/10/19/british-airways-profits-may-not-fly-high-much-longer

Extract B adapted from: https://www.aircraftcompare.com/aircraft/airbus-a350-1000/

Extract C adapted from: https://www.independent.co.uk/travel/news-and-advice/british-airways-iag-air-europa-buys-company-airline-a9183941.html

Extract D adapted from: https://www.theguardian.com/business/2019/aug/07/british-airways-it-glitch-causes-disruption-for-passengers-delays

Extract E adapted from: https://www.theguardian.com/business/2019/oct/10/british-airways-offset-domestic-flight-emissions-from-next-year

Extract F adapted from: https://www.theguardian.com/technology/2019/nov/04/microsoft-japan-four-day-work-week-productivity

Extract G adapted from: https://www.ft.com/content/08934996-e6c6-11e9-b8e0-026e07cbe5b4

Extract H adapted from: https://investor.pandoragroup.com/static-files/806f8a35-915f-4452-a147-94be22ddd4a8