

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

**Pearson Edexcel**  
**Level 1/Level 2 GCSE (9–1)**

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**Tuesday 4 June 2019**

Afternoon (Time: 1 hour 30 minutes)

Paper Reference **1BS0/02**

**Business**

**Paper 2: Building a business**

**You do not need any other materials.**

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.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*
- Calculators may be used.
- You are advised to **show all your working out** with **your answer clearly identified** at the **end of your solution**.

### Information

- The total mark for this paper is 90.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*

### 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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**Pearson**

**SECTION A**

**Answer ALL questions. Write your answers in the spaces provided.**

**Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.**

**1** (a) Which **one** of the following is an element of the design mix?

Select **one** answer.

(1)

- A** Cost
- B** Price
- C** Product
- D** Quality

(b) Which **one** of the following is an example of an internal source of finance?

Select **one** answer.

(1)

- A** Loan capital
- B** Selling assets
- C** Share capital
- D** Stock market flotation

(c) Explain **one** drawback to a business of using job production.

(3)

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(d) Explain **one** advantage to a business of producing a high quality product.

(3)

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**(Total for Question 1 = 8 marks)**

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2 (a) Which **two** of the following are likely to be sent to a business by a person applying for a job?

Select **two** answers.

(2)

- A** Application form
- B** CV
- C** Job advert
- D** Job description
- E** Person specification

(b) Which **two** of the following are likely to increase the productivity of a business?

Select **two** answers.

(2)

- A** Excessive communication
- B** Pressure groups
- C** Retraining employees
- D** Increased product range
- E** Introducing new technology

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Table 1 contains information about a new piece of machinery that a business wants to purchase.

Average annual profit	£100 000
Cost of new machine	£400 000

**Table 1**

(c) Using the information in Table 1, calculate the average rate of return. You are advised to show your workings.

(2)

..... %

(d) Explain **one** benefit to a business of having a good relationship with its suppliers.

(3)

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(e) Explain **one** advantage to a business of improving its environmental sustainability.

(3)

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**(Total for Question 2 = 12 marks)**

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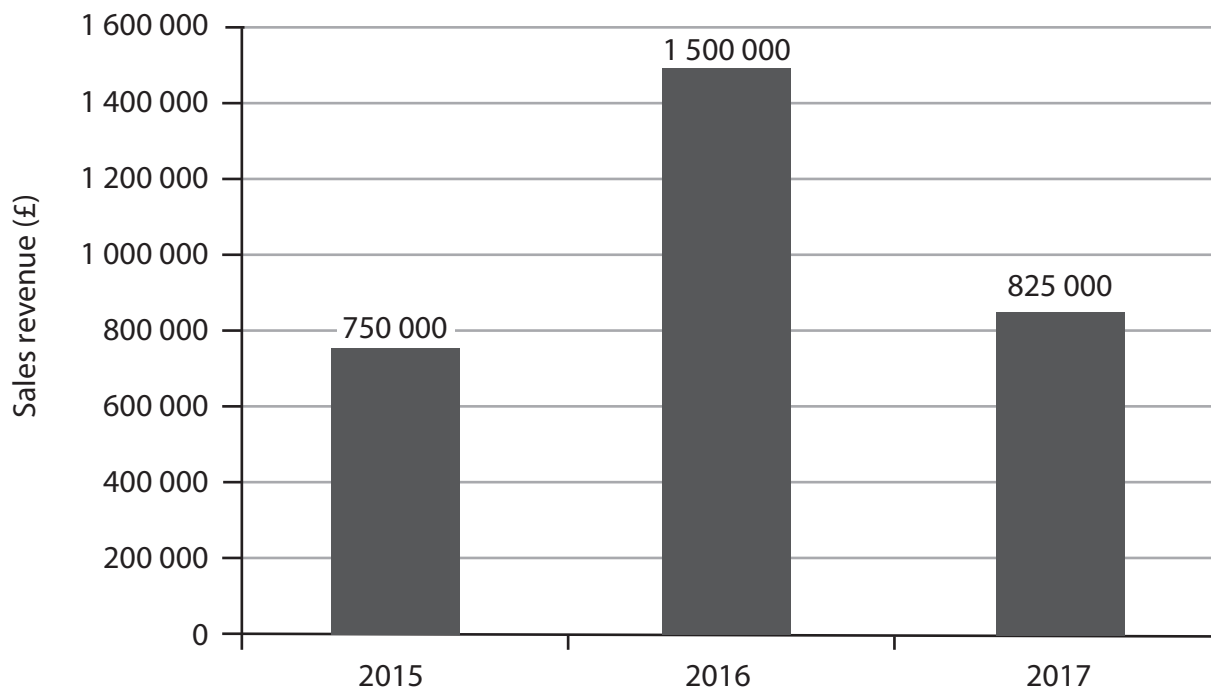
3 (a) Which **one** of the following is a barrier to international trade?

Select **one** answer.

(1)

- A** Aesthetics
- B** Ethics
- C** Tariffs
- D** Trade-offs

Figure 1 shows the sales revenue of a business over three years.



**Figure 1**

(b) Using the information in Figure 1, calculate the percentage increase in sales revenue from 2015 to 2016. You are advised to show your workings.

(2)

..... %



(c) Explain **one** method a business could use to differentiate its product.

(3)

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(d) Explain **one** possible barrier to effective communication within a business.

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SECTION B

Answer ALL questions.

Read the following extract before answering Questions 4, 5 and 6.

Write your answers in the spaces provided.

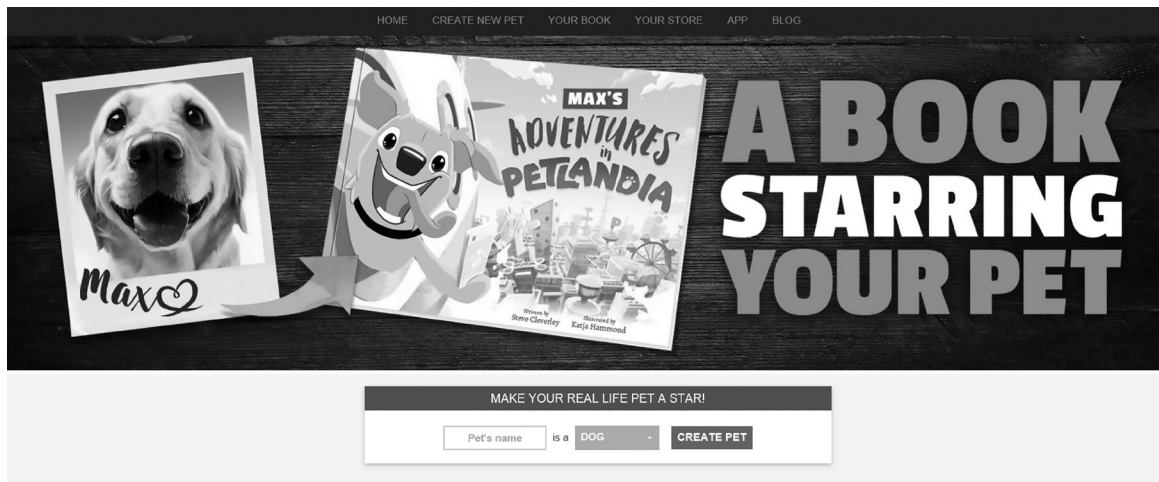


Mind Candy Ltd produces games and apps for computers and mobile devices. Its most successful game was Moshi Monsters. The game was aimed at young teenagers and was a global hit, with 80 million users in 2012.



© Mind Candy

In 2013, Mind Candy made large losses as sales revenue fell due to the falling popularity of its games. This was blamed on the short product life cycle of Moshi Monsters and increased competition in its market. As a result of these losses, Mind Candy reduced its workforce of software developers.



(Source from: <https://www.petlandia.com/custom-book.html#create>)

Mind Candy now needed to raise £1.2 million of extra finance. It required this finance to pay existing costs and fund the development of new apps such as Petlandia. Mind Candy believes Petlandia will allow it to return to organic growth. The app is free to download and allows players to design a virtual version of their own pet. This virtual pet can go on an adventure within the app. The adventure is then turned into a personalised storybook which can be purchased for £19.99.

(Source from: 'Moshi Monsters maker Mind Candy fears administration as sales tumble further' by Christopher Williams, 11 OCTOBER 2016 © Telegraph Media Group Limited)

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4 (a) Outline **one** method *Mind Candy* could use to extend the product life cycle of one of its games.

(2)

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5 Table 2 contains information about *Mind Candy's* performance in 2013.

Sales revenue	£30 560 692
Gross profit	£22 190 385
Other operating expenses and interest	£25 044 332

(Source: adapted from <https://beta.companieshouse.gov.uk/company/05119483/filing-history>)

**Table 2**

(a) Using the information in Table 2, calculate *Mind Candy's* cost of sales. You are advised to show your workings.

(2)

£ .....

(b) Using the information in Table 2, calculate, to 2 decimal places, *Mind Candy's* gross profit margin. You are advised to show your workings.

(2)

..... %





6 (a) State **one** drawback to *Mind Candy* of organic growth.

(1)

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(b) Outline **one** method *Mind Candy* could use to promote its new app.

(2)

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**(Total for Question 6 = 12 marks)**

**TOTAL FOR SECTION B = 30 MARKS**

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## SECTION C

Answer ALL questions.

Read the following extract carefully and then answer Question 7.

Write your answers in the spaces provided.

In August 2017, UK supermarket group *Sainsbury's* decided to cut its costs by £500 million to remain competitive.

One of the changes *Sainsbury's* made was to end its membership of Fairtrade. The Fairtrade scheme gives farmers in countries such as Kenya a higher price for their crops, such as tea. In return, *Sainsbury's* can use the Fairtrade logo on its products. This makes its groceries, such as bananas, more attractive to ethically-minded customers.



© Fairtrade Foundation 2017

*Sainsbury's* has decided to replace Fairtrade with its own scheme called 'Fairly Traded'. Critics of the change believe that it confuses customers. Protests about this change have already been held in London.



© andrew aitchison

*Sainsbury's* also decided to reduce its head office workforce by 1,000. This allowed the company to increase wages for its shop floor employees, including checkout operators and shelf stackers, by 4.4% to £8 per hour. This reduced the wage difference with Aldi, which pays £8.53 per hour. *Sainsbury's* wants to retrain shop floor employees to improve the customer service in its stores.

(Source: adapted from <https://www.theguardian.com/business/2017/jul/09/sainsburys-finds-itself-in-hot-water-over-fairtrade-tea>)

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7 (a) Give **one** stage of the sales process.

(1)

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Figure 2 shows the market share of UK supermarkets in 2017.

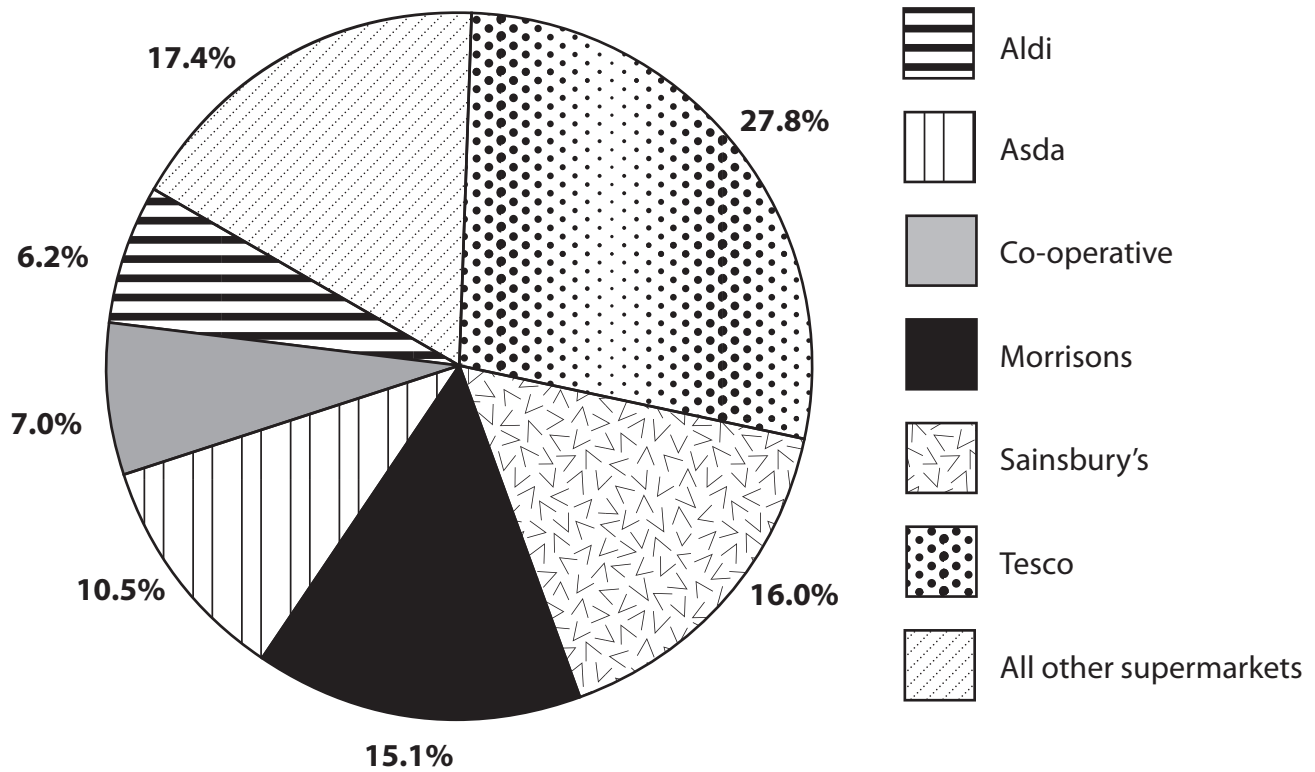


Figure 2

(Source: <https://www.kantarworldpanel.com/en/grocery-market-share/great-britain>)

(b) Using the information in Figure 2, identify the UK supermarket with a larger market share than *Sainsbury's*.

(1)

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(c) Outline **one** advantage to *Sainsbury's* of improving its customer service.

(2)

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In order to improve the motivation of its shop floor employees, *Sainsbury's* is considering two options:

**Option 1:** retraining

**Option 2:** increase wages.

(d) Justify which **one** of these two options *Sainsbury's* should choose.

(9)

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(e) Evaluate the likely impact on *Sainsbury's* of replacing Fairtrade with its own Fairly Traded scheme. You should use the information provided as well as your knowledge of business.

(12)

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(Total for Question 7 = 25 marks)

**TOTAL FOR SECTION C = 25 MARKS**  
**TOTAL FOR PAPER = 90 MARKS**



Please check the examination details below before entering your candidate information

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Other names

Centre Number

Candidate Number

**Pearson Edexcel**  
**Level 1/Level 2 GCSE (9–1)**

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**Tuesday 2 June 2020**

Afternoon (Time: 1 hour 30 minutes)

Paper Reference **1BS0/02**

**Business**

**Paper 2: Building a business**

**Calculators may be used.**

Total Marks

### Instructions

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- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
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- Answer the questions in the spaces provided – *there may be more space than you need.*
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### Advice

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- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1 (a) Which **one** of the following is a non-financial method of motivating an employee? (1)

Select **one** answer.

- A Bonus
- B Commission
- C Job rotation
- D Remuneration

- (b) Which **one** of the following is a type of organisational structure? (1)

Select **one** answer.

- A Freelance
- B Hierarchical
- C Permanent
- D Temporary

- (c) Explain **one** benefit to a business of using external recruitment to employ new staff. (3)

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(d) Explain **one** impact on a business from a lack of communication.

(3)

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**(Total for Question 1 = 8 marks)**

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2 (a) Which **two** of the following are external sources of finance?

(2)

Select **two** answers.

- A** Loan capital
- B** Retained profit
- C** Sales revenue
- D** Selling assets
- E** Share capital

(b) Which **two** of the following are methods of external growth for a business?

(2)

Select **two** answers.

- A** Improve promotion
- B** Innovation
- C** Merger
- D** Research and development
- E** Takeover



Table 1 contains financial information about the performance of a business.

Sales revenue	£625 000
Cost of sales	£145 000
Other operating expenses and interest	£200 000

**Table 1**

- (c) Using the information in Table 1, calculate the gross profit made by the business. You are advised to show your workings.

(2)

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- (d) Explain **one** benefit to a business of withdrawing a product when it enters the decline phase of its product life cycle.

(3)

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(e) Explain **one** benefit to a business from improving the aesthetic element of a product's design mix.

(3)

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**(Total for Question 2 = 12 marks)**

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3 (a) Which **one** of the following is a stage in the sales process?

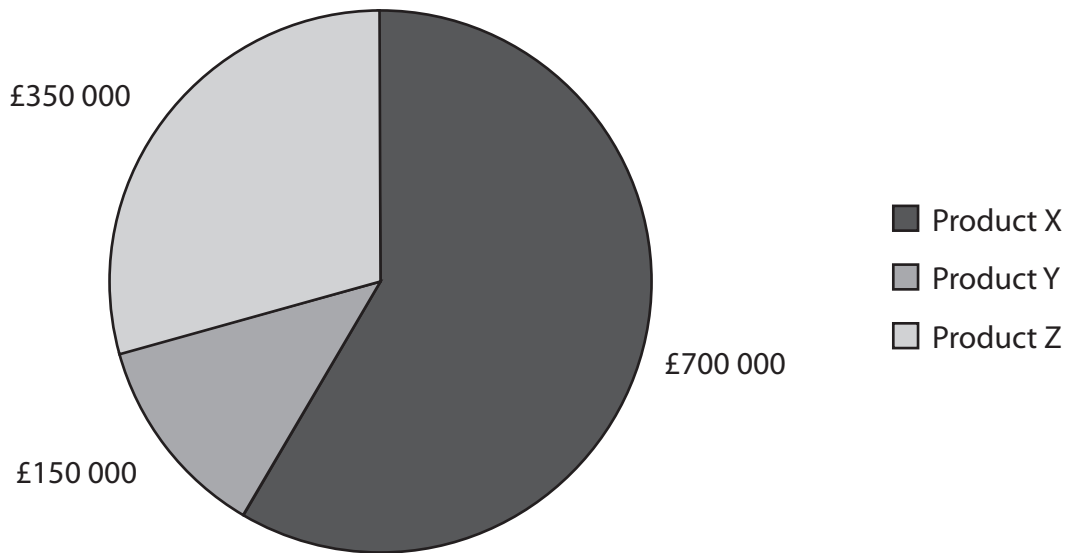
(1)

Select **one** answer.

- A** Product knowledge
- B** Product quality
- C** Production
- D** Productivity

In 2018 a business sold three products, X, Y and Z. Figure 1 shows the sales revenue generated for each of these products.

**Sales revenue for products X, Y and Z in 2018**



**Figure 1**

(b) Using the information in Figure 1, calculate, to 2 decimal places, the percentage of total sales revenue made by product X in 2018. You are advised to show your workings.

(2)

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(c) Explain **one** drawback to a business from differentiating its product.

(3)

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(d) Explain **one** impact on a business from increased globalisation.

(3)

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(e) Discuss the impact on a business of becoming a public limited company (plc).

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**(Total for Question 3 = 15 marks)**

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**TOTAL FOR SECTION A = 35 MARKS**



## SECTION B

Answer ALL questions.

Read the following extract before answering Questions 4, 5 and 6.

Write your answers in the spaces provided.

The Colonel is working on it.



*Kentucky Fried Chicken (KFC)* is a fast food chain that sells fried chicken. Amongst its most popular products are Popcorn Chicken, Boneless Chicken boxes and Zinger Tower burgers. These are freshly cooked in batches in each of its 900 restaurants across the UK.

In 2017, *KFC* changed the company it used to transport its supplies of chicken. It replaced Bidvest with DHL. Bidvest had three distribution centres across the UK, but DHL only had one. In February 2018, DHL started to have logistical problems causing many *KFC* restaurants to run out of chicken. This led to a temporary closure of many *KFC* branches due to poor supplier reliability.

As a result of these closures, *KFC* started losing market share to rival fast food restaurants such as Burger King. *KFC* used social media and a viral advertising campaign to apologise to customers. It also considered lowering the prices of its most popular food items to win back lost customers and recapture market share.

(Source: adapted from <https://www.standard.co.uk/news/uk/kfc-apologises-for-chicken-shortage-with-witty-fck-were-sorry-advert-a3774321.html> and <https://www.theguardian.com/business/2018/feb/19/kfc-uk-closed-chicken-shortage-fash-food-contract-delivery-dhl>)

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4 (a) Outline **one** benefit to *KFC* of using batch production in its restaurants.

(2)

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(b) Analyse the impact on *KFC* of providing poor customer service.

(6)

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**(Total for Question 4 = 8 marks)**

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5 Figure 2 shows a bar gate stock graph which details the delivery of chicken portions to KFC's Exmouth restaurant during February 2018. During this time it received two deliveries of chicken portions. These are marked as A and B.

Portions of chicken

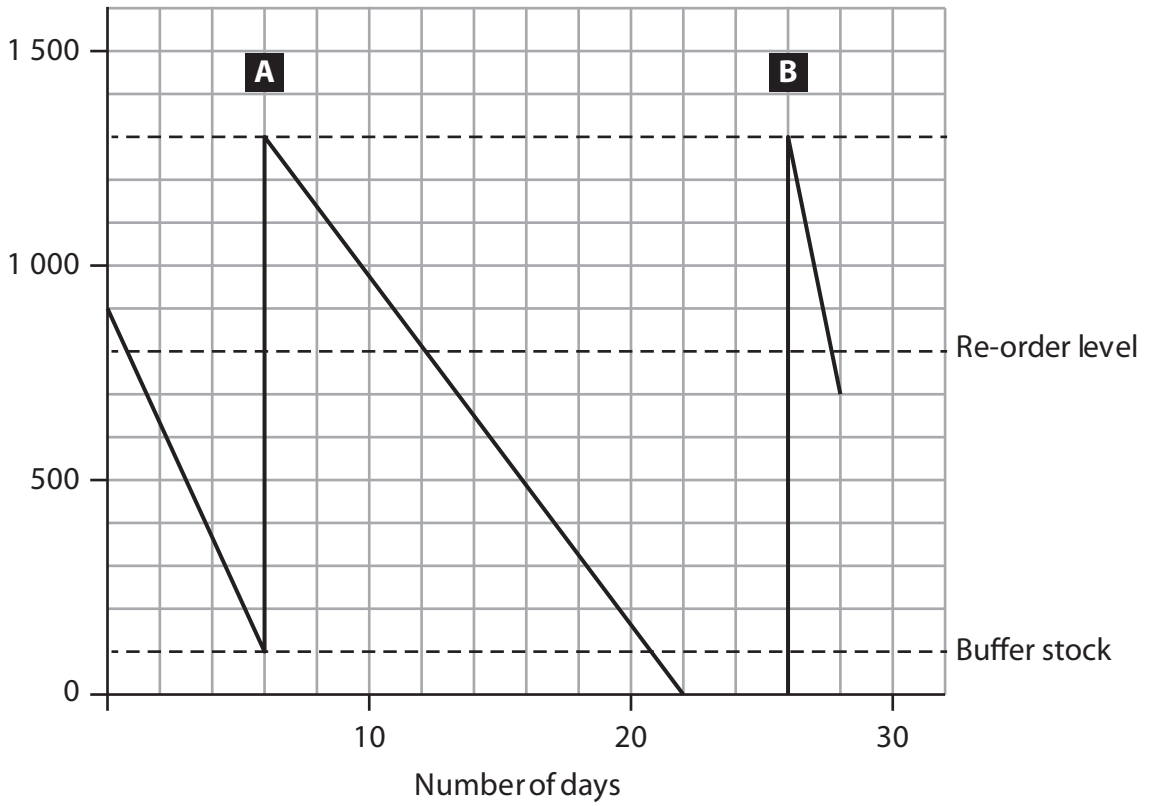


Figure 2

(a) Using the information in Figure 2, calculate the size of order A. You are advised to show your workings.

(2)

..... portions of chicken.

(b) Using the information in Figure 2, calculate the number of days that KFC's Exmouth restaurant ran out of chicken. You are advised to show your workings.

(2)

..... days.



(c) Analyse the impact on *KFC* of poor supplier reliability.

(6)

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**(Total for Question 5 = 10 marks)**

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6 (a) State **one** job role that may be found in a fast food outlet such as *KFC*.

(1)

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(b) Outline **one** benefit to *KFC* of using social media to interact with its customers.

(2)

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P 6 1 6 4 7 A 0 1 5 2 4

In order to regain its lost market share, *KFC* considered two options:

**Option 1:** lower prices

**Option 2:** use viral advertising.

(c) Justify which **one** of these two options *KFC* should choose.

(9)

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(Total for Question 6 = 12 marks)

**TOTAL FOR SECTION B = 30 MARKS**



P 6 1 6 4 7 A 0 1 7 2 4

## SECTION C

Answer ALL questions.

Read the following extract carefully and then answer Question 7.

Write your answers in the spaces provided.

*Iceland* is a supermarket that sells frozen food. Although the grocery industry is very competitive, *Iceland* enjoyed a successful 2017. Sales revenue increased by 2.0% allowing profits to increase by £9.5 million to £160 million.



© Dom J/Shutterstock

*Iceland* believes this success has been due to improved marketing. It has introduced new products using the Slimming World and Millie's Cookies brand names. It also launched a new advertising campaign called 'The Power of Frozen'. In addition it has developed a new store format called 'The Food Warehouse'. These stores are much larger than a normal *Iceland* store which allows them to stock more luxury products. *Iceland* hopes that The Food Warehouse will help it to appeal to high-income customers and it plans to open more stores.

In 2018, *Iceland* received positive publicity from its decision to ban all plastic packaging on its own-brand products by 2023. It intends to replace plastic with recycled paper,



as shown in Figure 3. A survey of 5,000 of its customers showed that 80% of them agreed with the change. Pressure groups, such as Friends of the Earth, have welcomed *Iceland's* decision. Plastic waste has caused pollution of the world's oceans and has killed marine life. Pressure groups hope that *Iceland's* decision will be repeated by other supermarkets in the UK.

**Figure 3: *Iceland's* new packaging**

(Source: adapted from <https://www.theguardian.com/business/2018/jan/15/iceland-vows-to-eliminate-plastic-on-all-own-branded-products> and <http://about.iceland.co.uk/wp-content/uploads/2017/12/Iceland-Topco-Ltd-2017-results.pdf>)

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7 (a) Define the term **pressure group**.

(1)

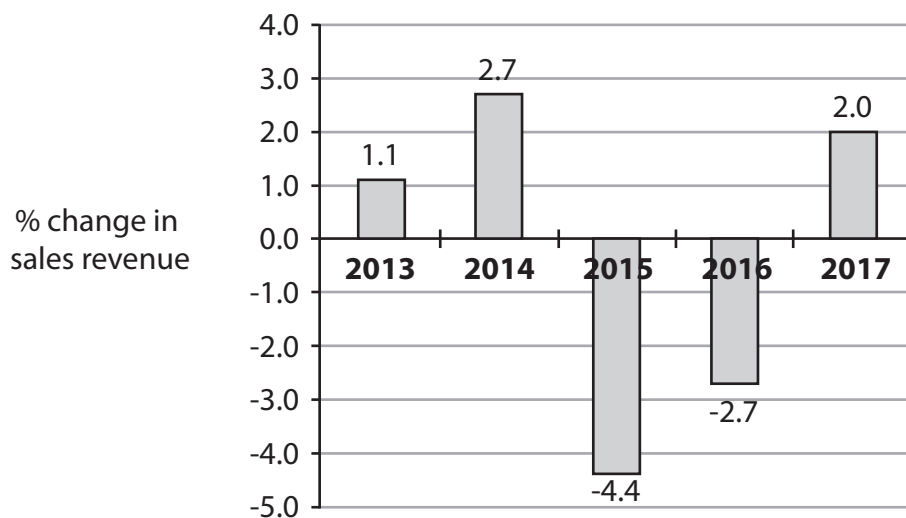
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Figure 4 shows information about the change in *Iceland's* sales revenue between 2013 and 2017.

**Percentage change in sales revenue 2013 to 2017**



**Figure 4**

(Source: <http://about.iceland.co.uk/wp-content/uploads/2017/12/Iceland-Topco-Ltd-2017-results.pdf>)

(b) Using the information in Figure 4, identify the year with the smallest percentage change in *Iceland's* sales revenue.

(1)

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(c) Outline **one** factor that could influence *Iceland's* choice of pricing strategy for its range of new products.

(2)

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In order to recruit employees for its new 'The Food Warehouse' stores, *Iceland* is considering two options:

**Option 1:** offer permanent contracts

**Option 2:** offer temporary contracts.

(d) Justify which **one** of these two options *Iceland* should choose.

(9)

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(e) Evaluate whether *Iceland* is likely to benefit from its decision to ban all plastic packaging on its own-brand products. You should use the information provided as well as your knowledge of business.

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(Total for Question 7 = 25 marks)

**TOTAL FOR SECTION C = 25 MARKS**  
**TOTAL FOR PAPER = 90 MARKS**



Please check the examination details below before entering your candidate information

Candidate surname

Other names

**Pearson Edexcel**  
**Level 1/Level 2 GCSE (9–1)**

Centre Number

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Candidate Number

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**Time** 1 hour 30 minutes

**Paper  
reference**

**1BS0/02**

**Business**  
**PAPER 2: Building a business**

**You do not need any other materials.**

Total Marks

### Instructions

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- Try to answer every question.
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- Good luck with your examination.

Turn over ►

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## SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 Figure 1 shows the organisational structure of a business.

(a) Which **one** of the following organisational structures is shown in Figure 1?

(1)

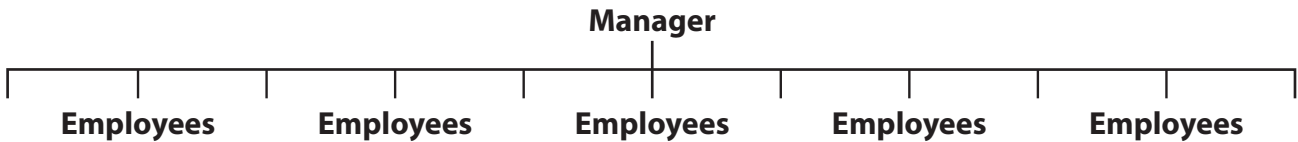


Figure 1

Select **one** answer.

- A Decentralised
- B Flat
- C Hierarchical
- D Remote

(b) Which **one** of the following documents states the qualities an employer is looking for in a new employee?

(1)

Select **one** answer.

- A Application form
- B CV
- C Job description
- D Person specification

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(c) Explain **one** impact that a pressure group can have on a business.

(3)

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(d) Explain **one** disadvantage to a business of having poor customer service.

(3)

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**(Total for Question 1 = 8 marks)**



2 (a) Which **two** of the following are examples of goods?

(2)

Select **two** answers.

- A** Cars
- B** Education
- C** Hairdressing
- D** Televisions
- E** Train journeys

(b) Which **two** of the following would allow a business to improve employee retention?

(2)

Select **two** answers.

- A** Decreased remuneration
- B** Excessive communication
- C** Introducing job rotation
- D** Providing training
- E** Reduced employee autonomy



Table 1 contains financial information about a business.

Sales revenue	£800 000
Cost of sales	£225 000
Gross profit	£575 000
Other operating expenses and interest	£200 000

**Table 1**

(c) Using the information in Table 1, calculate the net profit of the business.

(2)

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(d) Explain **one** reason why aesthetics may be important in the design mix of a product.

(3)

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(e) Explain **one** drawback to a business of introducing a system of quality assurance.

(3)

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**(Total for Question 2 = 12 marks)**

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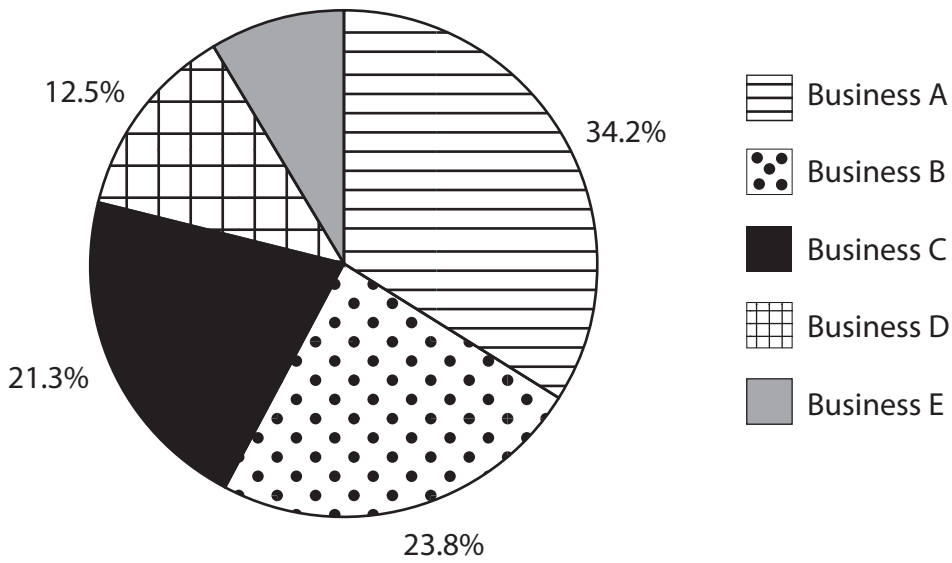
3 (a) Procurement involves a business having a strong relationship with which **one** of the following stakeholder groups?

(1)

Select **one** answer.

- A** Local community
- B** Managers
- C** Pressure groups
- D** Suppliers

Figure 2 shows the market share of each business in a market.



**Figure 2**

(b) Using the information in Figure 2, calculate the market share of Business E. You are advised to show your workings.

(2)

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(c) Explain **one** reason why having a post-sales service may be important to a business.

(3)

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(d) Explain **one** impact on a business from reducing the size of its workforce.

(3)

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(e) Discuss the disadvantage to a business of using a just in time (JIT) system of stock control.

(6)

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**(Total for Question 3 = 15 marks)**

**TOTAL FOR SECTION A = 35 MARKS**



## SECTION B

Answer ALL questions.

Read the following extract before answering Questions 4, 5 and 6.

Write your answers in the spaces provided.

*Tesla* is a public limited company based in California, USA. Its founder and main shareholder, Elon Musk, wanted to produce an electric car that is affordable to a large number of potential customers. This car is called the *Tesla* Model 3 (Figure 3).

Introduced in 2017, the basic version of the Model 3 was originally priced at \$50 000 and the company wanted to reduce this price to \$35 000 by 2019. However, this was difficult to achieve because *Tesla's* California factory suffered from low levels of productivity. These problems resulted in *Tesla* making a \$976 million loss in 2018.



(Source: Grzegorz Czapski/Shutterstock)

**Figure 3: *Tesla* Model 3 electric car**

Following the introduction of tariffs on US imports by the Chinese government in 2018, *Tesla* decided to invest \$5 billion in the construction of a new car factory in Shanghai, China. This factory will use flow production. However, with only \$2.4 billion of available capital, *Tesla* needs to raise external finance to fund it.

In 2019, *Tesla* decided to close most of its showrooms to reduce costs. The company believes customers will be happy to purchase electric cars using e-commerce.

(Source: adapted from <https://www.telegraph.co.uk/technology/2019/02/28/tesla-launches-long-awaited-35000-car-closes-dealerships-move/> and <https://www.bloomberg.com/news/articles/2018-08-01/tesla-is-said-to-plan-5-billion-investment-in-chinese-factory>)

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4 (a) Outline **one** drawback to *Tesla* of using e-commerce to generate sales.

(2)

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(b) Analyse the benefit to *Tesla* of using flow production in its new factory.

(6)

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**(Total for Question 4 = 8 marks)**

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- 5 Table 2 contains information about the price of a *Tesla* Model 3 car between 2017 and 2019.

Year	Price (in US\$)
2017	50 000
2018	41 000
2019	35 000

**Table 2**

- (a) Using the information in Table 2, calculate, the percentage reduction in the price of a *Tesla* Model 3 car between 2017 and 2019.

(2)

..... %

- (b) Using the information in Table 2, calculate the average price of a *Tesla* Model 3 car over the three year period between 2017 and 2019.

(2)

£ .....



(c) Analyse the impact on *Tesla* of increasing levels of globalisation.

(6)

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**(Total for Question 5 = 10 marks)**

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6 (a) State **one** impact to *Tesla* of continuing to make a loss.

(1)

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(b) Outline **one** drawback to *Tesla* of a government introducing tariffs on imports from the US.

(2)

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In order to raise the finance for its new Chinese factory, *Tesla* is considering two options:

**Option 1:** share capital

**Option 2:** loan capital.

(c) Justify which **one** of these two options *Tesla* should choose.

(9)

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**(Total for Question 6 = 12 marks)**

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**TOTAL FOR SECTION B = 30 MARKS**



## SECTION C

Answer ALL questions.

Read the following extract carefully and then answer Question 7.

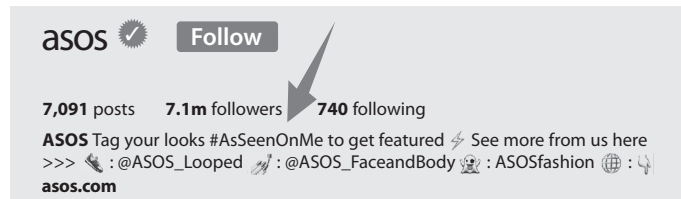
Write your answers in the spaces provided.



(Source: Dmitry Kalinovsky/Shutterstock)

**Figure 4: Automation at an ASOS warehouse**

customer orders the next day, so long as the order is placed online before midnight. Automation has also given ASOS the ability to increase the range of clothes it can sell on its website.



**Figure 5: ASOS's Instagram bio**

However, the market for clothes in the UK is becoming increasingly competitive. Despite a significant growth in sales, ASOS's profits have fallen. This has caused the company's share price to fall. ASOS has responded by focusing on viral advertising. Its latest campaign is to get customers to use the hashtag #AsSeenOnMe (Figure 5) when they are showing off their latest ASOS outfit on social media. In return, ASOS gives customers the opportunity to be featured on the ASOS Instagram feed which has 7.1 million followers.

(Source: adapted from <https://jilt.com/upsell/asos-shipping-logistics/> and <https://sproutsocial.com/insights/social-media-marketing-examples/>)

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7 (a) Give **one** element of the marketing mix.

(1)

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Figure 6 shows the ASOS share price over time.



**Figure 6**

(Source: adapted from <https://www.asosplc.com/investors/share-price/share-price-chart>)

(b) Using the information in Figure 6, identify the year when the ASOS share price was higher than £70.

(1)

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(c) Outline **one** advantage to ASOS of increasing the range of products offered for sale on its website.

(2)

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In order to increase its profits, ASOS is considering two options:

**Option 1:** lower prices

**Option 2:** advertise on more social media channels.

(d) Justify which **one** of these two options ASOS should choose.

(9)

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(e) Evaluate whether high quality logistics will give ASOS a competitive advantage.  
You should use the information provided as well as your knowledge of business.

(12)

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(Total for Question 7 = 25 marks)

**TOTAL FOR SECTION C = 25 MARKS**  
**TOTAL FOR PAPER = 90 MARKS**



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Centre Number					Candidate Number				
<b>Pearson Edexcel</b> <b>Level 1/Level 2 GCSE (9–1)</b>									
<h1>Business</h1> <h2>Paper 2: Building a business</h2>									
Extra Assessment Material Set 1 for first teaching September 2017 <b>Time: 1 hour 30 minutes</b>							Paper Reference <b>1BS0/02</b>		
You do not need any other materials.								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.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*
- Calculators may be used.
- You are advised to **show all your working out** with **your answer clearly identified** at the **end of your solution**.

### Information

- The total mark for this paper is 90.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*

### 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**

**Answer ALL questions. Write your answers in the spaces provided.**

**Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.**

**1** (a) Which **one** of the following is the first stage of the product life cycle?

Select **one** answer.

(1)

- A** Decline
- B** Growth
- C** Introduction
- D** Maturity

(b) Which **one** of the following is a financial method of motivating an employee?

Select **one** answer.

(1)

- A** Autonomy
- B** Job enrichment
- C** Job rotation
- D** Remuneration

(c) Explain **one** drawback to a business of using batch production.

(3)

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(d) Explain **one** benefit to a business of using loan capital as a source of finance.

(3)

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**(Total for Question 1 = 8 marks)**

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2 (a) Which **two** of the following are examples of services?

Select **two** answers.

(2)

- A** Chocolate bars
- B** Education
- C** Financial advice
- D** Magazines
- E** Washing machines

(b) Which **two** of the following are methods of inorganic growth?

Select **two** answers.

(2)

- A** Innovation
- B** Merger
- C** New products
- D** Research and development
- E** Takeover

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Table 1 contains information about a new piece of machinery that a business will keep for five years.

Total profit over five years	£500 000
Cost of new machine	£50 000

**Table 1**

(c) Using the information in Table 1, calculate the average rate of return of the new machine. You are advised to show your workings.

(2)

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(d) Explain **one** impact on a business of producing high-quality products.

(3)

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(e) Explain **one** disadvantage for a business of making a poor logistical decision.

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**(Total for Question 2 = 12 marks)**

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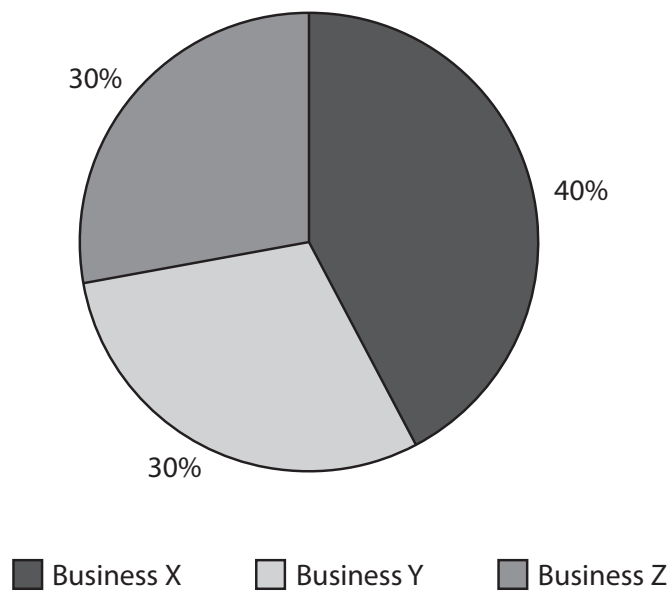
3 (a) Which **one** of the following is an immediate benefit of just in time (JIT) stock control?

Select **one** answer.

(1)

- A Improved customer service
- B Higher market share
- C Improved availability of stock
- D Lower warehousing costs

Figure 1 shows the market share of three businesses in 2016. The entire market generated £150 million of revenue.



**Figure 1**

(b) Using the information in Figure 1, calculate the revenue for Business X. You are advised to show your workings.

(2)

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(c) Explain **one** drawback to a business if a tariff is placed on the raw materials it imports.

(3)

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(d) Explain **one** benefit to a business of setting employees individual targets to achieve.

(3)

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## SECTION B

Answer ALL questions.

Read the following extract carefully and then answer Questions 4, 5 and 6.

Write your answers in the spaces provided.



(Source: © Francis Vachon / Alamy Stock Photo)

*Netflix* is an American public limited company that sells subscriptions to its online video streaming service. A subscription allows consumers in over 190 countries to stream television programmes and films through the internet.

In 2016 *Netflix* decided to increase the price of its standard UK subscription from £5.99 to £7.49 per month. This move reflected *Netflix's* shift towards producing more of its own original streaming content, such as the hit drama 'Stranger Things', rather than repeating shows that are available on terrestrial channels such as BBC1 or itv1.

In recent years, the online streaming market has become increasingly competitive with rivals, such as Amazon Prime, investing \$180 million on 36 episodes of 'The Grand Tour'. To keep up, *Netflix* has committed itself to spending \$6bn on new, original programming in 2017.

*Netflix* faces the difficulty of raising prices to fund new shows, whilst at the same time not putting off new and existing subscribers. However, *Netflix* continues to expand and build up its library of programmes and films from non-English speaking countries. *Netflix's* longer-term aim is to successfully enter the Chinese market.

(Source: adapted from <http://bigstory.ap.org/article/95de4a23315f4abc9a4d72dcc75f3ff2/netflix-tests-limits-price-increases-original-shows>)

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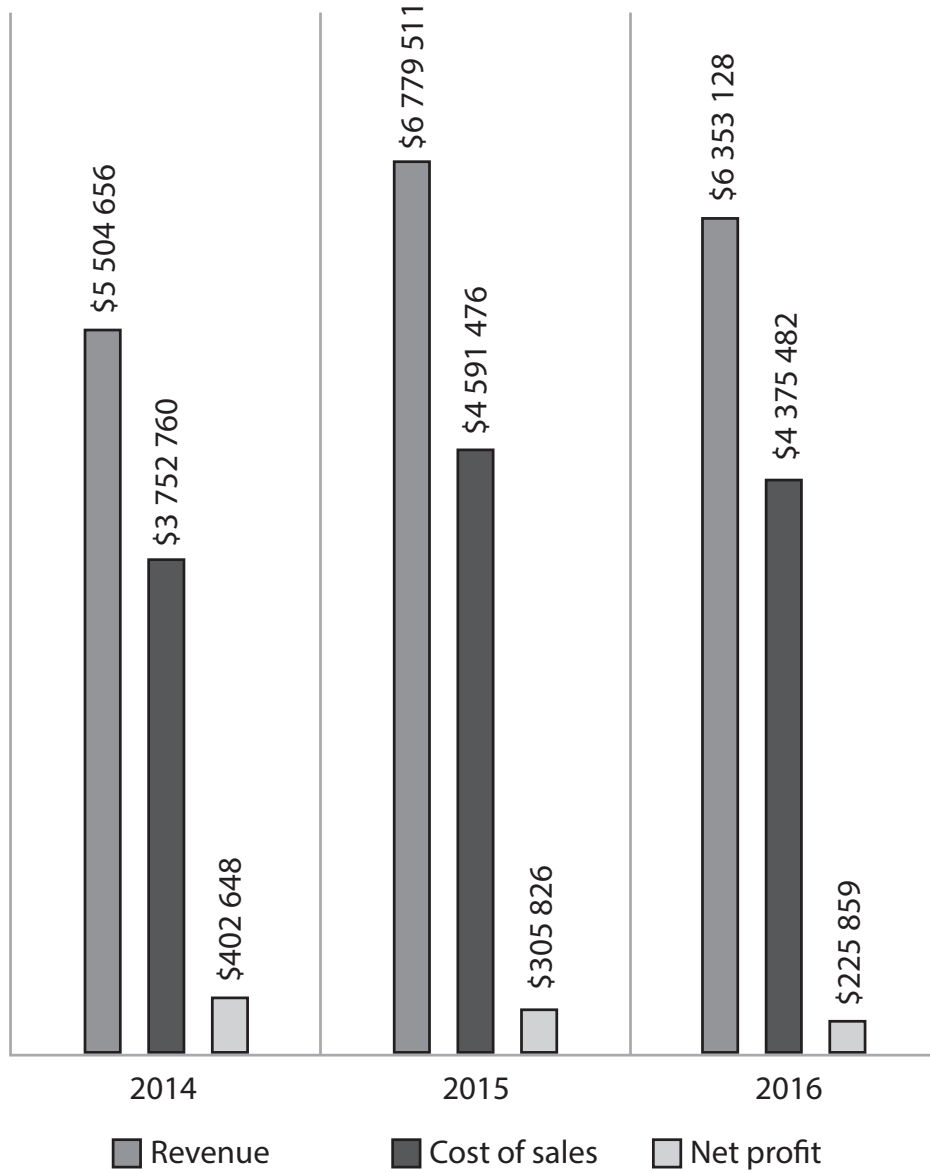
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5 Figure 2 shows selected information about *Netflix's* financial performance between 2014 and 2016.



(Source: [http://files.shareholder.com/downloads/NFLX/3523195881x0x900085/2EA1F18D-9BE4-4731-A351-CBAD36643AC4/Consolidated\\_Statements\\_of\\_Operations.xlsx](http://files.shareholder.com/downloads/NFLX/3523195881x0x900085/2EA1F18D-9BE4-4731-A351-CBAD36643AC4/Consolidated_Statements_of_Operations.xlsx))

**Figure 2**

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(a) Using the information in Figure 2, calculate *Netflix's* gross profit in 2015. You are advised to show your workings.

(2)

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(b) Using the information in Figure 2, calculate, to 2 decimal places, *Netflix's* net profit margin in 2014. You are advised to show your workings.

(2)

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6 (a) State **one** benefit to *Netflix* from producing its 'own original streaming content'.

(1)

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(b) Outline **one** advantage for *Netflix* of being a public limited company.

(2)

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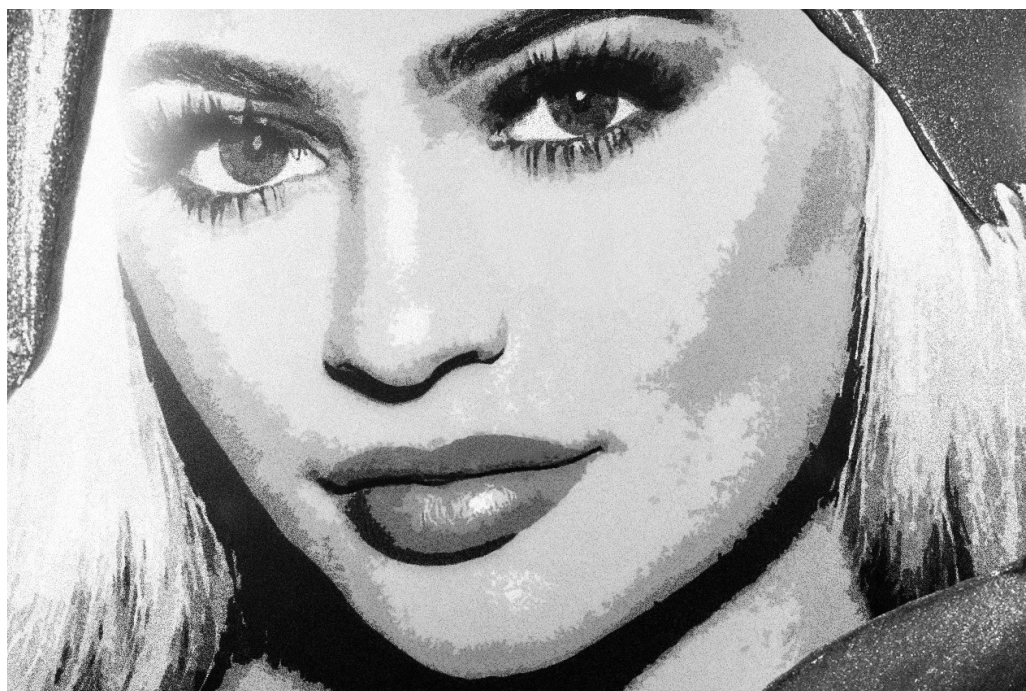


## SECTION C

Answer ALL questions.

Read the following extract carefully and then answer Question 7.

Write your answers in the spaces provided.



Famous from her role in hit reality television series 'Keeping Up with the Kardashians', 19-year-old Kylie Jenner is now also recognised as a successful teenage entrepreneur in her own right.

Celebrated for her full lips, Kylie Jenner decided to launch a range of lip kits with unique names such as 'Dolce K'. These products sold out within 10 minutes, as her fan base of teenage girls rushed to copy her celebrity look. The success of these products convinced Kylie to start her own internet cosmetics company, *Kylie Cosmetics*. She has now increased its range of products to include an eye shadow and eyeliner called Kyshadow and Kyliner respectively.

Kylie regularly interacts with her fans and potential customers using social media. Her app (application), which provides make-up and fashion tips, is one of the most downloaded entertainment apps in the UK. Every *Kylie Cosmetics* product has a launch date and products are only available for a limited period of time, before they sell out. Once the products have sold out, customers may have to wait weeks before the cosmetics are available for sale on the *Kylie Cosmetics* website again. None of *Kylie Cosmetics'* products are tested on animals and virtually all of them are suitable for vegans.

(Source: adapted from <http://www.vanityfair.com/style/2016/10/kylie-jenner-lip-kits-seed-beauty-colourpop>)

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7 (a) Give **one** type of social media that a business could use to interact with its customers.

(1)

Figure 3 shows the ranking of the Kylie Jenner Official App in the UK entertainment iPhone download charts from July to September 2016.



(Source: [https://www.appannie.com/apps/ios/app/kylie-jenner-official-app/rank-history/#vtype=day&countries=GB&start\\_date=2016-07-01&end\\_date=2016-09-30&device=iphone&view=rank&lm=1](https://www.appannie.com/apps/ios/app/kylie-jenner-official-app/rank-history/#vtype=day&countries=GB&start_date=2016-07-01&end_date=2016-09-30&device=iphone&view=rank&lm=1))

**Figure 3**

(b) Using Figure 3, identify the month where the Kylie Jenner Official App fell to its lowest ranking in the UK iPhone entertainment download chart.

(1)



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(c) Outline **one** reason why *Kylie Cosmetics* has chosen not to test its products on animals.

(2)

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(e) Evaluate whether *Kylie Cosmetics* should target a specific market segment to gain a competitive advantage. You should use the information provided as well as your knowledge of business.

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**(Total for Question 7 = 25 marks)**

**TOTAL FOR SECTION C = 25 MARKS**  
**TOTAL FOR PAPER = 90 MARKS**



Write your name here

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**Pearson Edexcel**  
**Level 1/Level 2 GCSE (9–1)**

**Business**  
**Paper 2: Building a business**

Extra Assessment Material Set 2 for first teaching September 2017 <b>Time: 1 hour 30 minutes</b>	Paper Reference <b>1BS0/02</b>
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You do not need any other materials.

Total Marks
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### 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.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*
- Calculators may be used.
- You are advised to **show all your working out** with **your answer clearly identified** at the **end of your solution**.

### Information

- The total mark for this paper is 90.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*

### 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**

**Answer ALL questions. Write your answers in the spaces provided.**

**Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.**

**1** (a) Which **one** of the following is **not** a form of training?

Select **one** answer.

(1)

- A** Formal
- B** Informal
- C** Ongoing
- D** Retention

(b) Which **one** of the following would best describe the term autonomy?

Select **one** answer.

It is where employees are able to:

(1)

- A** communicate easily with others
- B** experience a wide variety of tasks
- C** make their own decisions
- D** receive a bonus for meeting targets

(c) Explain **one** benefit to a business from exporting its products.

(3)

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(d) Explain **one** impact improved technology may have on a business.

(3)

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**(Total for Question 1 = 8 marks)**

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2 (a) Which **two** of the following are stages in the sales process?

Select **two** answers.

(2)

- A** Competitive prices
- B** Customer engagement
- C** High quality products
- D** Post-sales service
- E** Quality assurance

(b) Which **two** of the following are benefits to a large business of a flat organisational structure?

Select **two** answers.

(2)

- A** Decisions can be made quickly
- B** Increased number of team leaders
- C** Managers may be overworked
- D** Increased barriers to communication
- E** Reduced cost of management salaries

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Table 1 contains information about a business.

Gross profit	£1 100 000
Net profit	£800 000
Sales revenue	£2 000 000

**Table 1**

- (c) Using the information in Table 1, calculate the cost of sales for the business. You are advised to show your workings.

(2)

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- (d) Explain **one** reason why a business may provide employees with fringe benefits.

(3)

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(e) Explain **one** advantage to a business of being recognised as environmentally responsible.

(3)

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(Total for Question 2 = 12 marks)

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3 (a) Which **one** of the following documents would **not** be produced by a business as part of the recruitment process?

Select **one** answer.

(1)

- A CV
- B Job advert
- C Job description
- D Person specification

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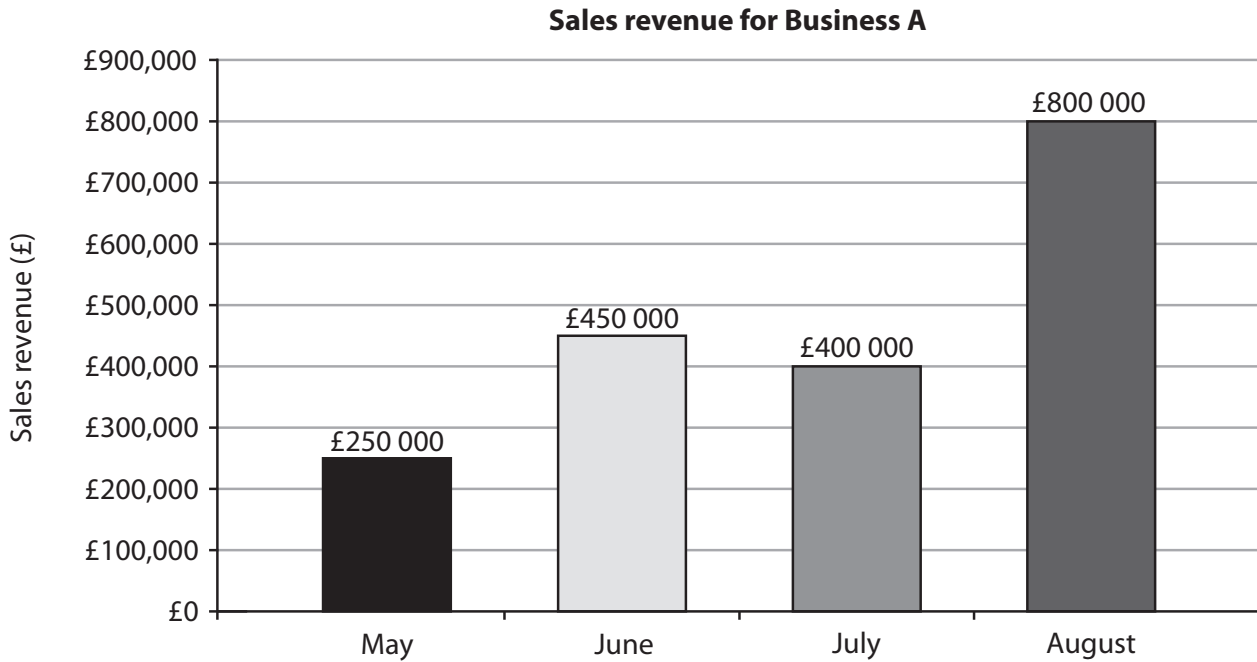
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Figure 1 shows the sales revenue for Business A between May and August 2016.



**Figure 1**

(b) Using the information in Figure 1, calculate the average sales revenue for Business A for the four months between May and August 2016. You are advised to show your workings.

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(c) Explain **one** benefit to a business of using job rotation.

(3)

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(d) Explain **one** benefit to a business of having performance reviews with its employees.

(3)

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## SECTION B

Answer ALL questions.

Read the following extract carefully and then answer Questions 4, 5 and 6.

Write your answers in the spaces provided.



(Source: © pio3/Shutterstock)

*Nando's* is a restaurant chain that specialises in Portuguese PERi-PERi chicken and spicy food. Since its first UK restaurant opened in 1992, the chain has expanded rapidly. There are now 339 restaurants in the UK. *Nando's* is popular amongst its target market of young people.

*Nando's* has used social media to develop a strong brand and to communicate with its target market. Its Twitter feed has over 1.5 million followers. *Nando's* uses viral advertising campaigns, many of which are reposted on social media.

The UK restaurant market has become more competitive. In 2013, *Nando's* decided to trial a takeaway service. After trialling this in 10 restaurants, the takeaway service is now available in every branch. Following the success of the takeaway trial, *Nando's* is now considering developing an app (application) for mobile phones, which can be used to order takeaway food. It also wants to start a home delivery service to improve the profitability of its takeaway service.

(Source: adapted from [http://www.digitaltrainingacademy.com/casestudies/2014/07/how\\_nandos\\_became\\_the\\_most\\_popular\\_restaurant\\_chain\\_on\\_social\\_media.php](http://www.digitaltrainingacademy.com/casestudies/2014/07/how_nandos_became_the_most_popular_restaurant_chain_on_social_media.php))

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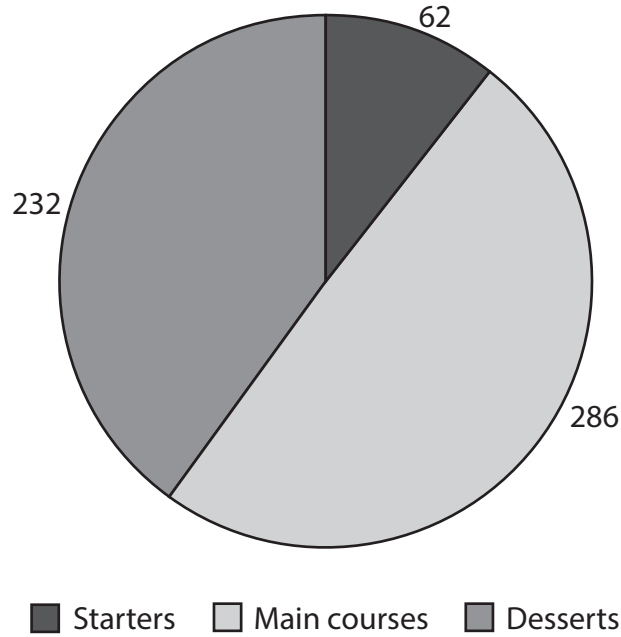
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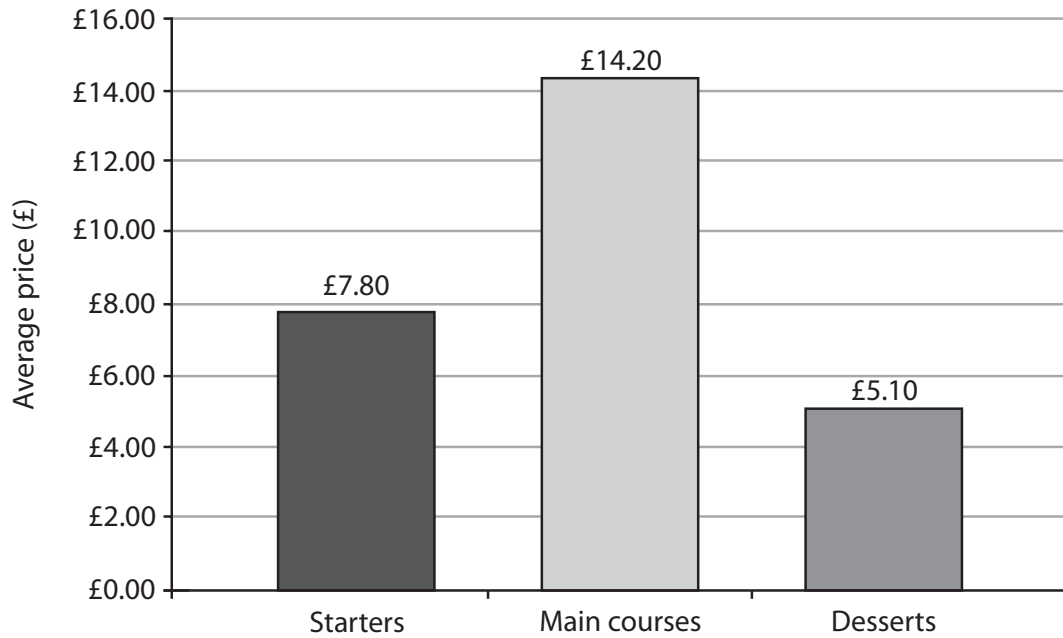
5 Figures 2 and 3 show market research information taken from *Nando's* restaurant in Exeter.

**Average quantity of meals sold per day at *Nando's* restaurant in Exeter**



**Figure 2**

**Average price paid for each meal type at *Nando's* restaurant in Exeter**



**Figure 3**

(Source: Interview with manager at *Nando's* restaurant in Exeter, Princess Hay, Exeter)



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(a) Using the information in Figure 2, calculate the quantity of desserts sold as a percentage of all meals sold at *Nando's* restaurant in Exeter. You are advised to show your workings.

(2)

..... %

(b) Using the information in Figures 2 and 3, calculate the average daily sales revenue generated from main courses at *Nando's* restaurant in Exeter. You are advised to show your workings.

(2)

£ .....





6 (a) State **one** factor that *Nando's* should consider in setting the prices for its takeaway menu.

(1)

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(b) Outline **one** benefit to *Nando's* from using viral advertising.

(2)

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## SECTION C

Answer ALL questions.

Read the following extract carefully and then answer Question 7.

Write your answers in the spaces provided.



*GoPro* is an American public limited company, which manufactures action cameras that are used in extreme activities such as rock climbing, surfing and base jumping.

Since its stock market flotation in 2004, the company has grown rapidly and has become a leading extreme sports brand. *GoPro's* sales revenue has increased every year since the company started. However, in 2016 *GoPro's* sales dropped significantly and the company made a loss of \$116m. This led to the company's share price falling to a record low of \$8.54.

To try and increase sales, *GoPro* launched three new products. These new products were waterproof and allowed smoother video recording. One of these products was the *GoPro Karma* – a new drone that takes aerial action shots.

In 2017 *Go Pro* decided to raise finance to invest in its new product range. This was because cheaper competitors were entering the market, such as the Chinese company *Xiaomi*.

(Source: adapted from <http://www.express.co.uk/life-style/science-technology/712497/GoPro-Announces-Hero-5-Black-Session-Karma-Drone-UK-Release-Date-Price>)

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7 (a) Define the term **public limited company**.

(1)

At its launch, the *GoPro* Karma was priced at £699.99. In 2017 this price was reduced to £649.99.

(b) Calculate, to 2 decimal places, the percentage reduction in price for the *GoPro* Karma. You are advised to show your workings.

(2)

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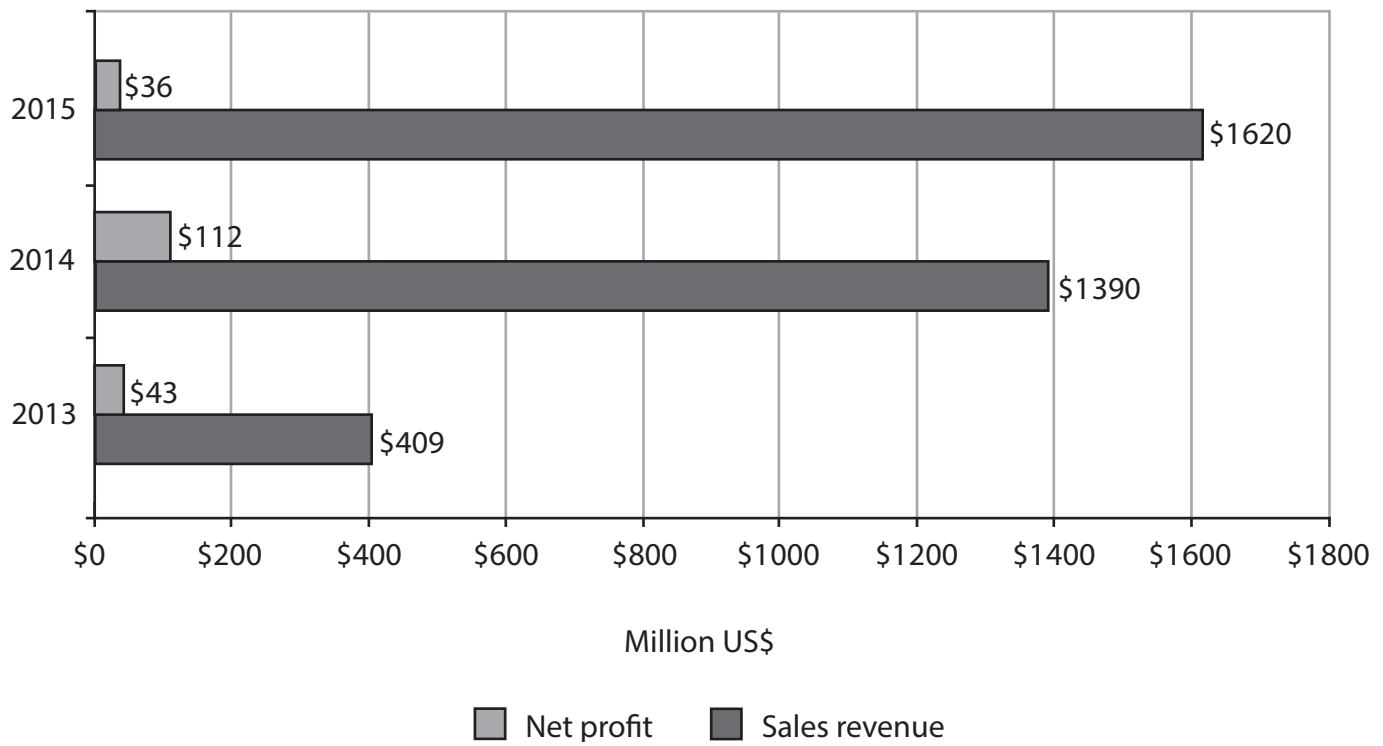
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Figure 4 shows financial information about *GoPro* from 2013 to 2015.

**Sales revenue and net profit for GoPro 2013-2016 (Million US\$)**



(Source: adapted from <http://www.marketwatch.com/investing/stock/GPRO/financials>)

**Figure 4**

(c) Using Figure 4, identify the year where *GoPro* achieved its lowest net profit margin.

(1)





(e) Evaluate the importance of function within *GoPro's* design mix. You should use the information provided as well as your knowledge of business.

(12)

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**(Total for Question 7 = 25 marks)**

**TOTAL FOR SECTION C = 25 MARKS  
TOTAL FOR PAPER = 90 MARKS**

