

Write your name here

Surname

Other names

Pearson Edexcel
Level 3 GCE

Centre Number

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Candidate Number

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Business

Advanced Subsidiary

Paper 2: Managing business activities

Tuesday 24 May 2016 – Afternoon

Time: 1 hour 30 minutes

Paper Reference

8BS0/02

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.*

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.*

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

Answer ALL questions.

SECTION A

Read the following Extracts (A to B) before answering Question 1.

Write your answers in the spaces provided.

Extract A

Backpack: Student sets up online homework planner business

Backpack Ltd is a small start-up company set-up in Plymouth in 2012. Alistair started the company after leaving school when he was 18 and he is the main shareholder. Alistair chose to set-up the business as a private limited company to gain limited liability.

Backpack Ltd has developed an online homework planning application, or 'app', which is suitable to run on iOS and Android mobile phones. The app replaces the traditional paper-based homework diary and allows teachers to set and track homework online. 5

In order to start his company, Alistair needed to raise £20 000 to develop and bring the app to market. Alistair approached his local bank for a loan, but his business plan failed to impress them and he was forced to raise venture capital instead. This required Alistair to provide outside investors with 65% of the issued shares. 10

(Source: adapted from <http://www.backpack.ac>)

Extract B

Selected information about Backpack Ltd's homework app in 2015

Fixed costs per year = £10 000

Contribution per school = £1 800

Selling price per school = £2 000

Variable costs per school = £200

(Source: interview with main shareholder in Backpack Ltd 18/4/15)

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1 (a) What is meant by limited liability? (2)

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(b) What is meant by fixed costs? (2)

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(c) Using the data in Extract B, and assuming a sales volume of 20 schools in 2015, calculate Backpack Ltd's likely profit. You are advised to show your working. (4)

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(d) Using the data in Extract B, and assuming a sales volume of 20 schools in 2015, calculate Backpack Ltd's likely margin of safety. You are advised to show your working.

(4)

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(e) Assess **two** advantages to a small start-up company, such as Backpack Ltd, of using venture capital.

(8)

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(f) Assess the importance of a business plan, as a means to obtain finance, to a small start-up company, such as Backpack Ltd.

(10)

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(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS



SECTION B

Read the following Extracts (C to D) before answering Question 2.

Write your answers in the spaces provided.

Extract C

Selected information from SuperGroup Plc's Statement of Financial Position (2014)

	£ millions
Non-current assets	147.7
Cash and cash equivalents	86.2
Inventory	77.8
Trade and other receivables	54.3
Current liabilities	73.1
Non-current liabilities	31.7

(Source: <http://www.supergroup.co.uk/investors/reports-and-publications/annual-report-2014>)

Extract D

SuperGroup invests £5 million in a new UK distribution hub

SuperGroup Plc is the owner of fashion label Superdry. Superdry retails clothes aimed at 15-25 year olds. It sells premium, branded, high-fashion clothing through 338 of its own stores spread across the UK and the rest of the world.

Superdry operates in a clothing retail market that is both dynamic and highly competitive. In recent years it has expanded rapidly and now has a presence in 46 countries.

To respond to the growth in the demand for its clothes, SuperGroup Plc has invested £5 million in a new distribution hub in Burton on Trent. This has allowed the company to operate a Just in Time (JIT) stock management system.

(Source: <http://annualreport2014.supergroup.co.uk/strategic-report/strategic-report>)

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2 (a) What is meant by current liabilities?

(2)

Dotted lines for writing answers to question 2(a).

(b) Give **two** examples of non-current assets that a business may have on its Statement of Financial Position.

(2)

Dotted lines for writing answers to question 2(b).

(c) Using the data in Extract C, calculate the current ratio for SuperGroup Plc in 2014. You are advised to show your working.

(4)

Dotted lines for writing answers to question 2(c).



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(d) Explain how poor management of its working capital might affect SuperGroup Plc.

(4)

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(e) Assess **two** likely effects on a company, such as SuperGroup Plc, of operating in a highly competitive retail clothing market.

(8)

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(f) Assess whether a Just in Time (JIT) stock management system is likely to benefit a clothing retailer such as SuperGroup Plc.

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(Total for Question 2 = 30 marks)

TOTAL FOR SECTION B = 30 MARKS



SECTION C

Read Extract E before answering Question 3.

Write your answer in the space provided.

Extract E

Aldi continues to expand

Sales at Aldi, the discount supermarket group, increased by 22.6% during 2014 giving it a UK market share of 3.3%. Aldi's success has come through focusing on a limited range of own-brand groceries, which are all sold at very competitive prices. Currently Aldi uses a limited range of promotional activities, for example TV advertising. It does not make use of the types of promotional activities typically used by UK supermarkets, such as loyalty schemes and buy one get one free (BOGOF). 5

Since the recession in 2008, Aldi has continued to open stores and now has over 600 outlets across the UK. By 2020 it plans to have more than 1 000 outlets.

The rise of Aldi has damaged other supermarkets. For example, Tesco has seen its market share fall to just 28.7%. 10

In 2014 the UK economy entered the recovery phase of its business cycle with economic growth of 2.6%.

(Source: adapted from <http://www.economist.com/news/business/21646224-german-discounters-successful-business-model-only-stretches-so-far-tomorrow-not-quite>)

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With the UK economy entering the recovery phase of its business cycle, Aldi could continue to either focus on competitive prices, or increase its use of promotional methods.

- 3 Evaluate these **two** options and recommend which option Aldi should adopt to increase its sales revenue.

(20)

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS

TOTAL FOR PAPER = 80 MARKS

