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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

Friday 25 May 2018 – 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.*
- You may use a calculator.

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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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

Kendal Mint Cake manufacturer to close

Cake manufacturer JE Wilson & Sons Ltd is to close after more than a century of production. The company makes several products, but is most famous for making Kendal Mint Cake, a sugar-based confectionery item flavoured with peppermint.

JE Wilson & Sons Ltd's move to a new purpose-built factory in 2013, designed to improve efficiency, actually resulted in poor capacity utilisation. Trends in the wider confectionery market, away from products with a high sugar content, have led to declining sales of Kendal Mint Cake. This, together with the rise in the price of raw materials such as sugar, led to the company making large losses. The move to the new factory also created serious cash-flow problems for the company.

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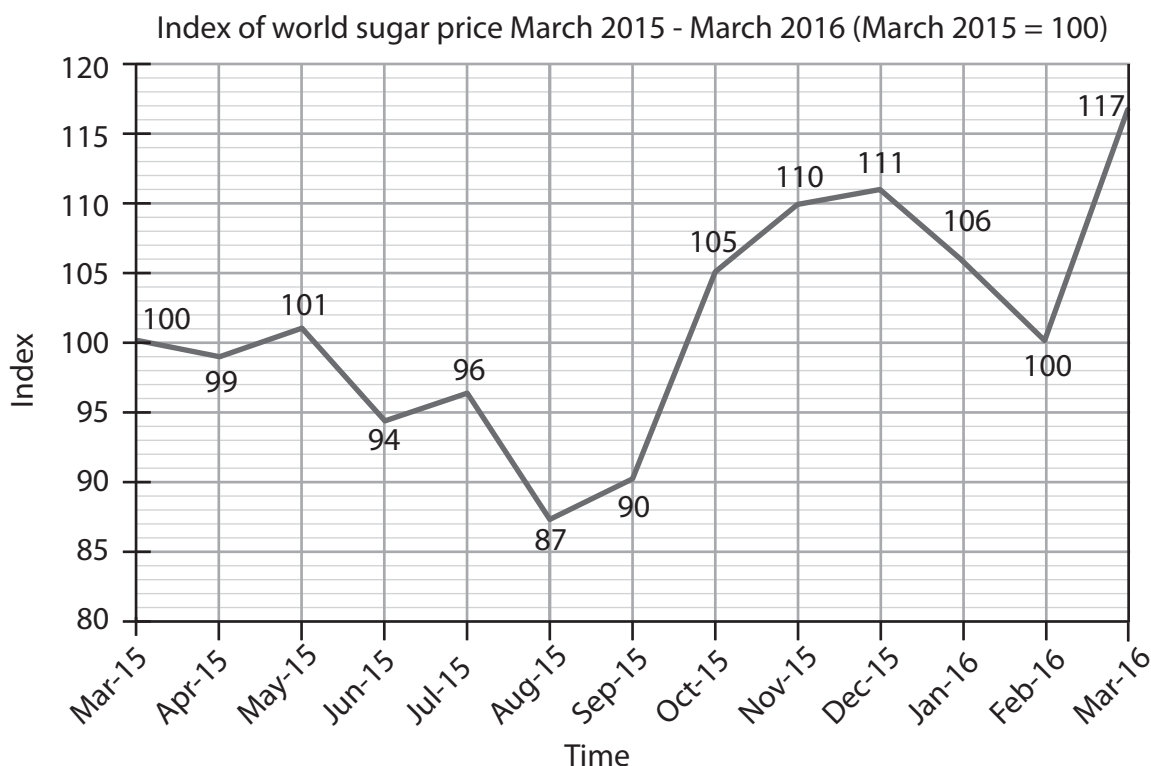
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JE Wilson & Sons Ltd failed in February 2016.

(Source: adapted from © Telegraph Media Group Limited 2017)

Extract B

World sugar price rises



(Source: drawn using data from http://www.imf.org/external/np/res/commod/External_Data.xls)

1 (a) What is meant by efficiency?

(2)

(b) What is meant by capacity utilisation?

(2)

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- (c) Using the data in Extract B, calculate the percentage increase in the world sugar price from September 2015 to March 2016. You are advised to show your working.

(4)

JE Wilson & Sons Ltd produced a break-even chart to show the profitability of the Kendal Mint Cake production line in its new factory.

This is shown in Figure 1 below.

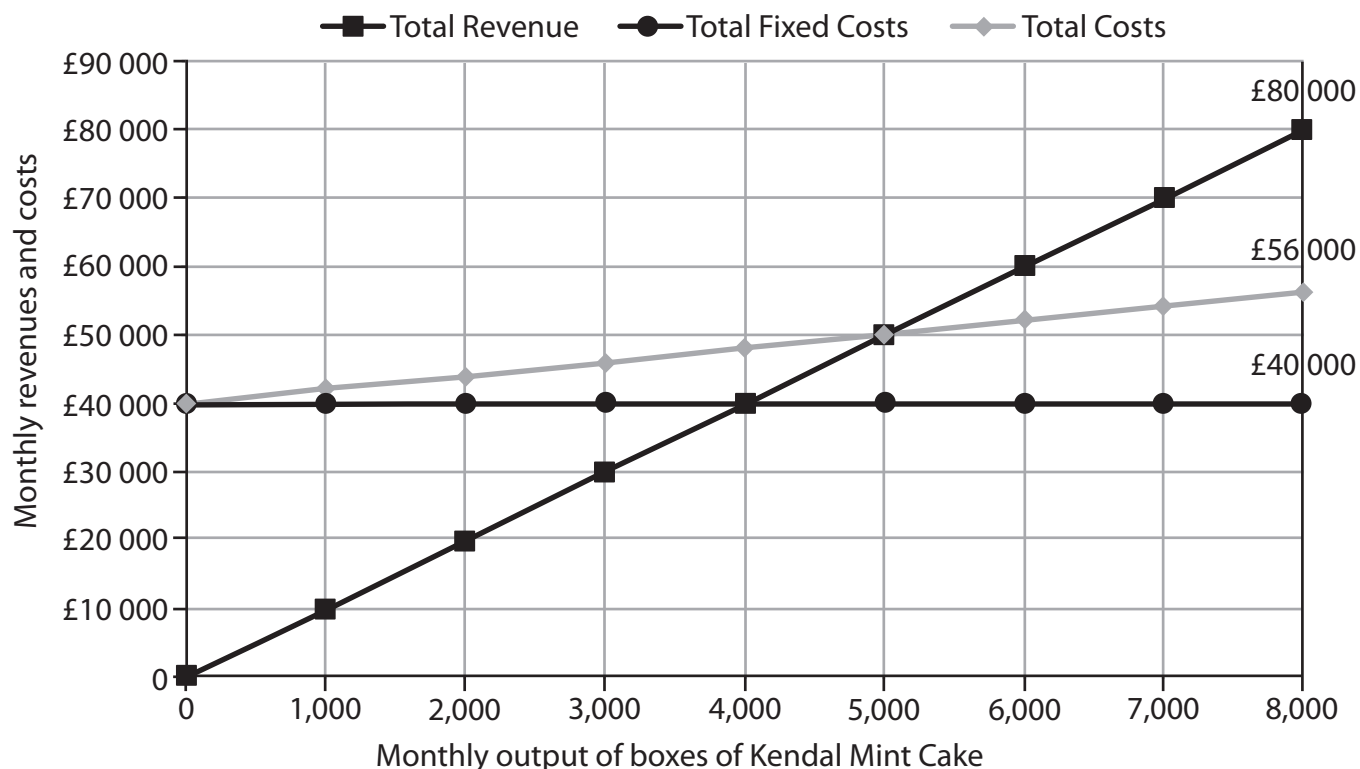


Figure 1

(d) Using Figure 1, calculate the contribution per box of Kendal Mint Cake. You are advised to show your working.

(4)

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- (e) Assess **two** likely limitations to JE Wilson & Sons Ltd of using break-even analysis as a planning tool.

(8)

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- (f) Assess the extent to which rising costs of raw materials may have led to the failure of JE Wilson & Sons 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

Willie's Cacao Ltd

Willie's Cacao Ltd was founded in 1996 when Willie Harcourt-Cooze decided to buy a cocoa farm in Venezuela. His aim was to produce the finest chocolate possible using only the highest quality Criollo cocoa beans.

Once harvested, the cocoa beans are then transported to Willie's factory in East Devon where they are turned into the highest quality chocolate products. The production process is lengthy and capital intensive. The factory uses old-fashioned chocolate manufacturing machinery, since Willie believes that it adds flavour to the chocolate. Wherever possible, Willie uses lean production methods, providing they do not compromise the taste of the product.

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Willie's Cacao Ltd's chocolate products are sold to high-end retailers in the UK, such as Waitrose and Selfridges. A Willie's Cacao 50g chocolate bar is sold at a price of £1.90, whilst a 50g Cadbury's Dairy Milk chocolate bar is sold at a price of 85p.

(Source: adapted from <https://onthecocoatrail.com/2013/12/31/willie-and-the-chocolate-factory/>)

Extract D

Selected information from Willie's Cacao Ltd's 2016 Statement of Financial Position

	£
Non-current assets	238 294
Current assets	1 177 472
Current liabilities	445 718
Non-current liabilities	125 552
Inventory	666 386
Net assets	844 496

(Source: adapted from © Market Footprint Ltd)

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2 (a) What is meant by capital intensive?

(2)

(b) Give **two** examples of current assets.

(2)

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- (c) Using the data in Extract D, calculate, to 2 decimal places, the acid test ratio for Willie's Cacao Ltd in 2016. You are advised to show your working.

(4)

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Willie's Cacao Ltd is a private limited company.

(d) Explain how limited liability might affect Willie's Cacao Ltd.

(4)

In August 2016, the Bank of England cut the UK base rate of interest from 0.5% to 0.25%.

(e) Assess **two** likely benefits of this fall in UK interest rates on Willie's Cacao Ltd.

(8)

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- (f) Assess the extent to which lean production methods may allow Willie's Cacao Ltd to gain a competitive advantage.

(10)

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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

AO.com

AO.com is a Bolton-based online retailer of large domestic appliances, such as washing machines and fridge-freezers. The company was set up in 2000 by John Roberts following a £1 bet with a friend that he could dramatically change the way large domestic appliances were purchased in the UK. AO.com uses the internet to distribute its domestic appliances and does not use retail stores.

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In 2014, AO.com raised capital through a stock market floatation and has grown its market share in the UK, taking sales from rivals such as Currys Digital. In 2015, the company started television advertising in the UK, using the slogan 'AO – let's go', in order to increase brand recognition and sales. AO.com intends to improve its low profitability.

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(Source: adapted from <http://ao.com/corporate/about-ao/history/>)

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In order to increase its profits, AO.com could either sell a wider range of products through the internet or improve its branding.

- 3 Evaluate these **two** options and recommend which option AO.com should use to increase its profits.

(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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