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Pearson Edexcel Level 3 GCE		Centre Number	Candidate Number
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<h1 style="margin: 0;">Business</h1> <h2 style="margin: 0;">Advanced Subsidiary</h2> <h3 style="margin: 0;">Paper 2: Managing business activities</h3>			
Friday 26 May 2017 – Afternoon		Paper Reference	
Time: 1 hour 30 minutes		8BS0/02	
You do not need any other materials.			Total Marks <div style="border: 1px solid black; width: 50px; height: 30px; margin: 0 auto;"></div>

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

The Posh Pasty Company

The Posh Pasty Company was set up in 2013 in the popular seaside town of Fowey by TV chef James Strawbridge and his wife Holly. Capital was raised through the crowd funding website www.crowdfunder.co.uk. This enabled them to rent and equip a small factory. The Posh Pasty Company uses the highest quality local ingredients to manufacture several flavours of pasty. The pasties are sold and delivered to delicatessens and cafes across southern England.

5

Batch production is used in the factory to manufacture the pasties. In 2015, capacity utilisation was 92%. James and Holly regularly review the financial performance of each variety of pasty, by examining historical figures for sales revenue and total cost. This enables them to perform a variance analysis.

10

(Source: adapted from <http://poshpasty.co/about-us/who-we-are/>)

Extract B

Selected information from The Posh Pasty Company's budget, July 2015

	Steak and stout pasty (£)
Budgeted sales revenue	12 250
Actual sales revenue	14 370
Budgeted total costs	4 210
Actual total costs	5 890

(Source: interview with James Strawbridge 7/1/16)

- 1 (a) What is meant by sales revenue?

(2)

- (b) What is meant by total costs?

(2)

The Posh Pasty Company's factory has a maximum output of 34,200 pasties per year.

- (c) Using the data in Extract A, calculate the total number of pasties produced by The Posh Pasty Company in 2015. You are advised to show your working.

(4)

(d) Using the data in Extract B, calculate the total variance in profit for The Posh Pasty Company's steak and stout pasty for July 2015. You are advised to show your working.

(4)

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(e) Assess **two** likely benefits to The Posh Pasty Company of using batch production to manufacture its pasties.

(8)

(f) Assess the importance to The Posh Pasty Company of using crowd funding as its main source of finance.

(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 Burberry plc's 2015 statement of comprehensive income

	£m
Revenue	2 523.2
Cost of sales	(757.7)
Other operating expenses	(1 325.2)
Operating profit	440.3

(Source: adapted from http://www.burberryplc.com/documents/ar-1415/burberry_financial_statements_2014_15.pdf)

Extract D

Burberry plc proposes a new £50m factory in Leeds

Burberry plc is a luxury fashion company that produces and retails high-quality clothes, leather goods and fashion accessories. These items are sold for premium prices, with a typical Burberry trench coat selling for £1 500. From 2018, this product will be manufactured in its new Leeds factory. This factory will replace two other factories in Yorkshire and will allow Burberry plc to improve productivity, resulting in waste minimisation. Using the latest technology, the new factory will be able to increase trench coat production by 300%.

5

The factory will use a Just in time (JIT) stock management system and will hold limited buffer stocks of raw materials. Burberry plc also intends to improve the training of its staff so that the effectiveness of its quality management increases. Burberry plc currently uses quality assurance to ensure that its products meet customer expectations.

10

(Source: adapted from <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/11973538/Burberry-backs-Britain-by-opening-new-trench-coat-factory-in-Leeds.html>)

2 (a) What is meant by productivity?

(2)

(b) What is meant by quality assurance?

(2)

(c) Using the data in Extract C, calculate Burberry plc's gross profit margin to 2 decimal places (2 d.p). You are advised to show your working.

(4)

(d) Explain how the use of waste minimisation in its new factory might affect Burberry plc.

(4)

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(e) Assess **two** likely impacts on Burberry plc from holding limited amounts of stock in its new factory.

(8)

In November 2015, UK inflation increased to 0.1%.

(f) Assess the likely impact of this rise in inflation on Burberry plc.

(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

Global demand increases for McLaren Ltd's supercars

Increased demand for £1m supercars in Asia and the Middle East has allowed McLaren Ltd to generate profits of £15m in 2015, an annual increase of 223%. McLaren Ltd makes high-performance sports cars, which it sells to wealthy individuals across the world. The company is based in Woking, Surrey and produces its cars in a high-technology factory which resembles a hospital, due to the high levels of cleanliness.

5

Lean production methods are used in the factory and its aim is to produce the perfect car with zero defects. It is this commitment to quality and giving the customer what they want which has allowed McLaren Ltd to gain a competitive advantage in the premium sports car market.

10

(Source: adapted from <http://www.thisismoney.co.uk/money/markets/article-3139313/Petrolheads-spare-1m-spend-helped-McLaren-Automotive-post-pre-tax-profit-hike-233-cent-15m.html>)

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To maintain its competitive advantage in the premium sports car market, McLaren Ltd could increase its use of lean production methods or make the company more market orientated.

- 3** Evaluate these **two** options and recommend which option McLaren should use to maintain its competitive advantage.

(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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