

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

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Pearson Edexcel Level 3 GCE

Time 2 hours

Paper
reference

9BS0/02

Business

Advanced

PAPER 2: Business activities, decisions and strategy

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 100.
- 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 D) before answering Question 1.

Write your answers in the spaces provided.

Extract A

Extract from easyJet plc's annual report 2020

	2020
	£m
Non-current liabilities	2 748
Total equity	1 899

EasyJet plc's gearing for 2019 was 45.67%

(Source: adapted from <https://corporate.easyjet.com/~//media/Files/E/Easyjet/pdf/investors/agm/agm-dec-2020/annual-report-2020.pdf>)

Extract B

Why is the budget airline industry struggling?

In 2019, budget airline Flybmi and travel business Thomas Cook both collapsed. "The aviation industry is struggling with rising costs," says Loizos Heracleous, Professor of Strategy at Warwick Business School. "Aeroplanes are expensive assets with few alternative uses, which limits the ability of airlines to reduce their capacity during lean periods. Airlines also have to deal with fluctuating expenses like fuel, which accounts for around a third of total costs."

5

Delayed flights, cramped seating, inconvenient flight times and poor service are common customer complaints, which have damaged the reputation of many budget airlines. Customers share their experiences on social media, resulting in widespread bad publicity.

10

Alex Brummer, City Editor for the Daily Mail, argues that there is a far greater problem for budget airlines: "The rise of a new generation of budget airlines, challenging the dominance of easyJet and Ryanair, means that there is huge overcapacity in the industry. As the number of seats exceeds the number of travellers, prices have been pushed down".

(Source: adapted from <https://www.theweek.co.uk/105222/flybe-saved-but-why-is-the-airline-industry-struggling>)

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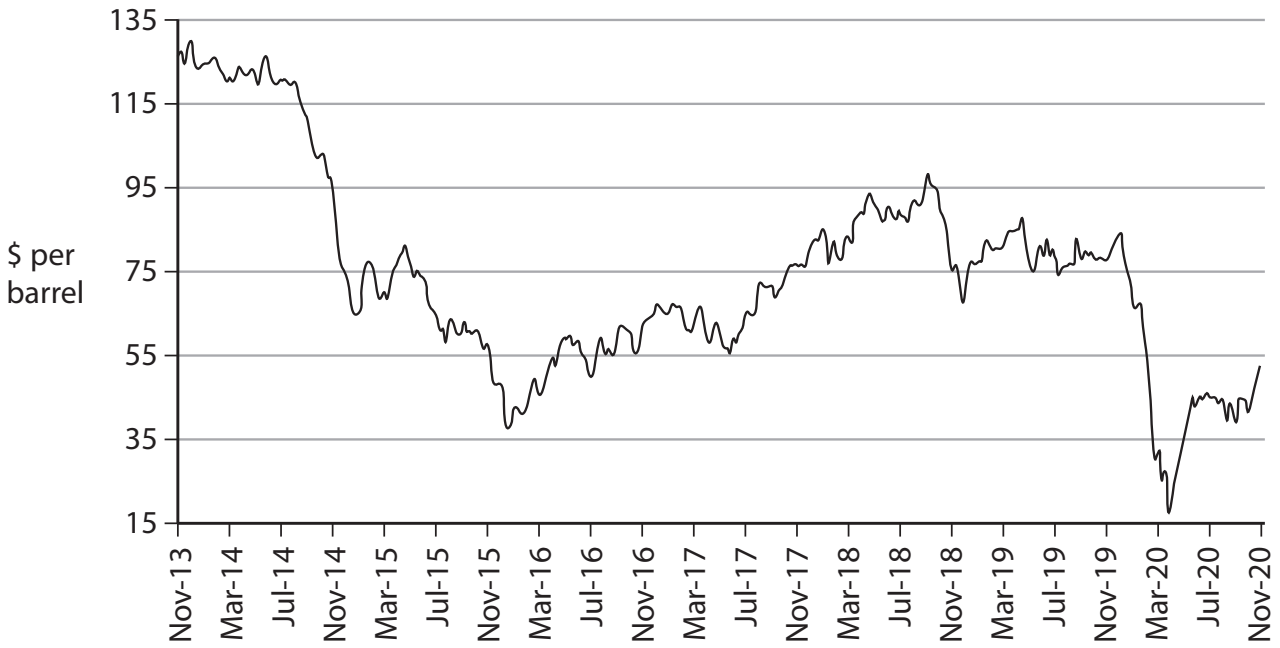
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Extract C

Jet fuel price (\$/barrel) November 2013 – November 2020



(Source: adapted from <https://www.iata.org/en/publications/economics/fuel-monitor/>)

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Extract D

easyJet plc

EasyJet plc is a low-cost European airline. It is the seventh largest airline in the world, with 342 aircraft and 48 million customers across 35 countries and 154 airports.

In 2019, the company launched easyJet holidays to offer package holidays, combining flights and hotels. At present 97% of its customers travel for leisure and easyJet plc is aiming its package holidays at these customers. EasyJet holidays offers its customers a best price guarantee and full refund if customers cancel their holiday at least 28 days before departure. 5

94% of easyJet plc's customers are concerned with the environmental impact of air travel. The company wants to lead the aviation industry in meeting this challenge. Its 'sustainability strategy' aims to achieve net zero carbon emissions by working with manufacturers to develop electric and hydrogen powered aircraft. This will also avoid reliance on fuels that cannot be stored for long periods of time. 10

In common with all airlines, easyJet plc was affected by travel restrictions in 2020 caused by the global health crisis. The capacity utilisation of its planes fell from 91.5% in 2019 to 87.2%. 15

(Source: adapted from https://corporate.easyjet.com/~/_/media/Files/E/Easyjet/pdf/investors/agm/agm-dec-2020/annual-report-2020.pdf)

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- 1 (a) Using the data from Extract A, calculate the difference in the gearing ratio for easyJet plc between 2019 and 2020. You should state the difference to two decimal places. You are advised to show your working.

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(b) Explain **one** effect on easyJet plc of the reduced capacity utilisation of its aircraft in 2020.

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(c) Assess, with reference to Porter's five forces, whether the 'bargaining power of buyers' represents the most significant external influence on easyJet plc.

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(d) Assess whether the change in price of jet fuel between November 2015 and July 2018 may have affected easyJet plc's management of its working capital.

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EasyJet plc wishes to improve its profitability. To achieve this, easyJet plc is considering either purchasing a new fleet of electric and hydrogen powered aircraft or focusing on increasing its market share of the package holiday market.

(e) Evaluate these **two** options and recommend which one is more suitable for easyJet plc to improve its profitability.

(20)

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(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS



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SECTION B

Read the following extracts (E to H) before answering Question 2.

Write your answers in the spaces provided.

Extract E

Bluebells

Bluebells is a seven-bedroom bed and breakfast guesthouse in Keswick, Cumbria, owned and run by Les and Liz Miller. Bluebells is open between March and November. All rooms are en suite, and free WiFi access is available. Since opening in 2006, Bluebells has developed an excellent reputation and consistently receives 5* reviews on websites such as TripAdvisor. 5

The market for holiday accommodation in Keswick is competitive, with a wide choice of guesthouses, hotels and self-catering accommodation. The market is seasonal, with most tourists visiting between May and September.

Bluebells reinvests 50% of its profits back into the business each year. Recent projects have included replacing the windows and purchasing a fuel-efficient boiler. Les and Liz place great emphasis on the importance of financial planning, which includes the use of historical budgeting and careful management of its cash flow. 10

(Source: adapted from interview with Les Miller, owner of Bluebells)

Extract F

Room occupancy levels for Bluebells 2019

Month	% of rooms occupied
March	30
April	45
May	70
June	70
July	90
Aug	90
Sept	70
Oct	50
Nov	30

(Source: adapted from interview with Les Miller, owner of Bluebells)



Extract G**Selected cost and revenue data for Bluebells**

	£
Revenue per room per night	84
Variable costs per room per night	34
Annual fixed costs	30 000

(Source: adapted from interview with Les Miller, owner of Bluebells)

Extract H**Tourism in Cumbria**

The Lake District in Cumbria is one of Britain's world class destinations. It attracts large numbers of visitors spending over £1bn each year.

In the UK, city breaks have become increasingly popular and other rural destinations such as North Wales and the Peak District are marketing themselves aggressively. 5
The popularity of online travel agents such as 'Booking.com' provides consumers with more holiday choices and competitive prices.

Cumbria remains a popular holiday destination but has not enjoyed the growth that other UK destinations have seen over the last few years. Cumbria is far more dependent on tourism than most other parts of the UK so it cannot afford to be complacent. 10

(Source: adapted from <http://www.cumbriatourism.org/wp-content/uploads/2015/07/tourism-strategy-2008-2018.pdf>)



2 (a) Using the information in Extract F, calculate the three period moving averages for the percentage of rooms occupied for the periods March to May and June to August to two decimal places, stating the difference between these moving averages. You are advised to show your working.

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(b) Using the information in Extract G, calculate how many rooms need to be occupied each month for the business to break-even.

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(c) Assess the value of historical budgeting to Les and Liz in their financial planning for Bluebells.

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(d) Assess the usefulness of SWOT analysis for Bluebells' continued success.

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Liz and Les have set themselves the objective of managing Bluebells' finances more effectively. They are considering whether to focus more on improving cash flow or increasing profit.

(e) Evaluate these **two** options and recommend which one is more suitable for Liz and Les to achieve this objective.

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(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

TOTAL FOR PAPER = 100 MARKS

