

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Pearson Edexcel
Level 3 GCE

Centre Number

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Candidate Number

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Monday 3 June 2019

Afternoon (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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Pearson

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

VisionSpring

VisionSpring is a social enterprise founded to provide glasses that are affordable for people in developing countries, such as India. These glasses improve job opportunities for many people in rural areas.

VisionSpring supplies local small businesses, that sell its glasses, and also trains the business owners to conduct eye tests in local villages. 5

Each pair of glasses costs VisionSpring £1 to make and deliver, which the small business buys for £2 and sells to customers for £4. As every step of the chain is profitable, the business model is sustainable.

VisionSpring's current growth strategy is to reinvest its profits to expand the scheme, but it is also considering obtaining loans from established businesses in developing countries. 10

One such business is ITC, a tobacco company in India that supplies the majority of village shops.

(Source: adapted from Pyramid power © The Economist, Jan 11th 2007)

Extract B

Economic impact of buying a pair of VisionSpring glasses

Price	£4
Estimated increased earnings per person, per year	£108
Expected life of a pair of glasses	2 years

(Source: adapted from © VisionSpring 2018)

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Extract C

Warby Parker

Warby Parker was founded with the objectives of selling designer glasses at a low price and being socially responsible. The optical industry is dominated by a few large companies that keep prices high, making huge profits from consumers who have limited choice.

5

Warby Parker created an alternative by designing and selling glasses to customers directly online. It is able to provide higher-quality, better-looking prescription glasses at a lower price than larger competitors.

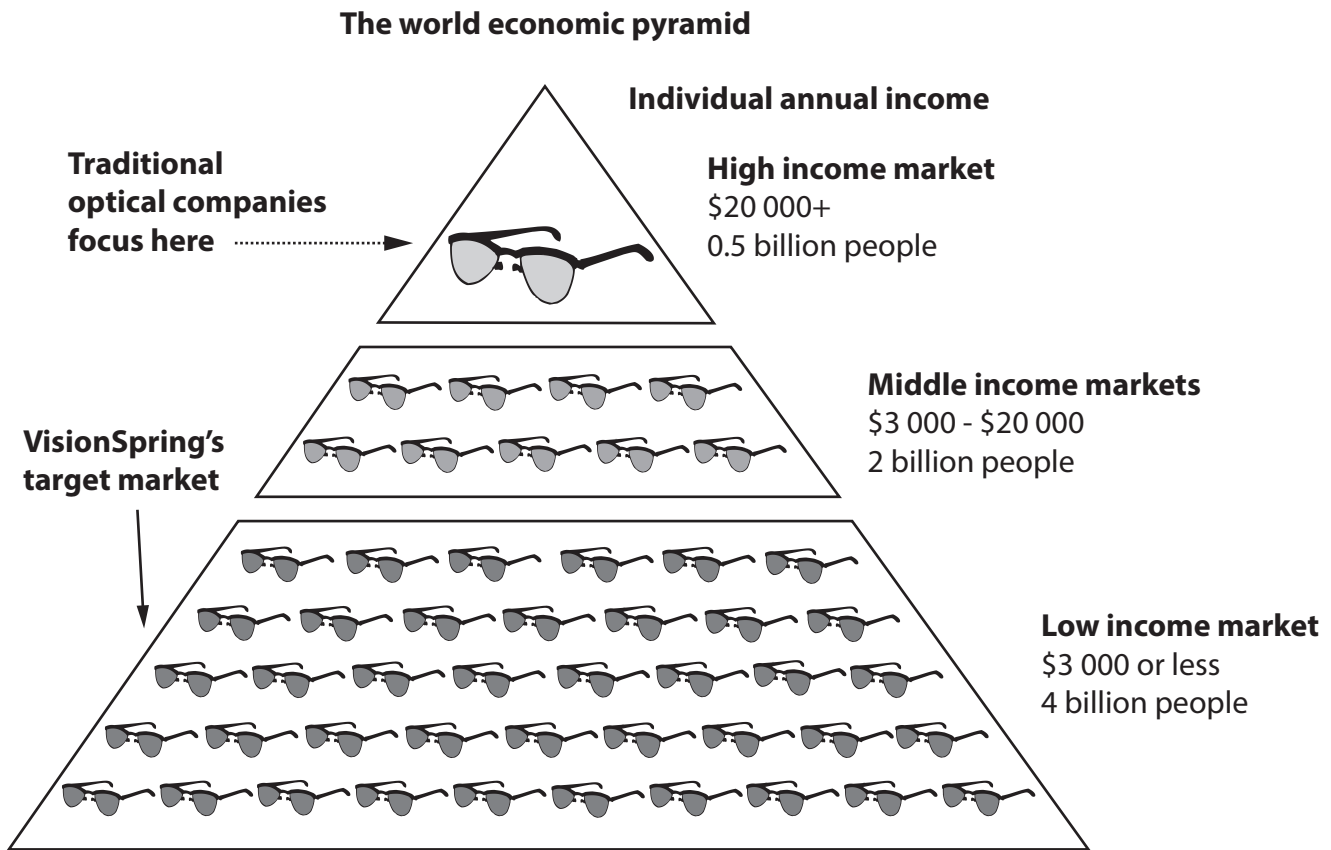
Almost one billion people worldwide lack access to glasses, limiting their ability to learn or work. Warby Parker believes that everyone has the right to see. For every pair of glasses it sells another pair is given free to charities, such as Sightsavers, operating in developing countries.

10

(Source: adapted from <https://www.warbyparker.com/history>)



Extract D



In high income markets, glasses are typically sold using a low-volume, high-profit margin approach. However, VisionSpring recognised the potential for success in the developing world. To achieve this, it focused on the low income market, using a high-volume and low-profit margin approach.

(Source: adapted from © VisionSpring 2018)

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1 (a) Explain **one** reason why businesses that sell VisionSpring's glasses may prefer to stay small.

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For people in developing countries, purchasing a pair of VisionSpring glasses may be considered as an investment.

- (b) Using the data in Extract B, calculate the average rate of return from purchasing a pair of glasses. You are advised to show your working.

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(c) Assess VisionSpring's decision to finance its growth using retained profits.

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(d) Assess whether the decision to be a socially responsible business is likely to increase Warby Parker's profits.

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Warby Parker's main corporate objective is to grow the business. The management is considering two options, either to develop a new range of contact lenses for the high income market, or to start selling glasses in the low income market.

- (e) Evaluate these two options and recommend which **one** is most likely to achieve Warby Parker's main corporate objective.

(20)

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(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS



SECTION B

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

Write your answers in the spaces provided.

Extract E

Hardy Punglia's designs are a cut above the rest

Fashion designer Hardy Punglia launched his own range of clothing in Huddersfield with one shop and just five designs. Three years later his collection exceeds over 100 designs.

Hardy now plans to open another shop and is hoping to supply other retailers in Yorkshire. He also sells to a wider audience through the online fashion outlet ASOS.

5

Cash flow forecast for the period January to March 2020

	January	February	March
	£	£	£
Cash inflows	2 000	3 600	8 000
Cash outflows	7 000	4 000	3 000
Net cash flow	(5 000)	(400)	5 000
Opening balance	2 000	(3 000)	(3 400)
Closing balance	(3 000)	(3 400)	1 600

(Source: adapted from © a Reach plc subsidiary 2018)

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Extract F

Zara's successful formula for fast fashion

Zara is a Spanish clothing retailer with 650 stores in 50 countries. It has 12 factories in Spain and Portugal, which supply the majority of Zara's stores using a just in time (JIT) stock control system.

In Zara stores, customers can always find new products, but in limited supply. To create a sense of exclusivity, Zara constantly introduces new products in small quantities, which motivates customers to visit its shops more often. On average, customers in London visit a fashion store four times a year; Zara's customers visit 17 times. 5

A Zara customer may think, 'If I don't buy this orange shirt now, it may not be there next time I visit.' 10

Selected financial information for Zara 2016

	£m
Budgeted sales revenue	20 900
Actual sales revenue	23 310
Budgeted total costs	16 204
Actual total costs	18 226

(Source: adapted from © Inditex)



Extract G

Second ASOS fire damages stock worth £6m

In May 2017 a fire at ASOS's Berlin warehouse damaged two million products worth £6m. According to ASOS, 'All relevant safety measures were followed and the fire was contained'. After the fire, ASOS's scenario plan was put into operation and ASOS immediately started to fulfil orders from Germany through its Barnsley warehouse.

5

In June 2014 ASOS's Barnsley site had been damaged by fire, destroying an estimated 20% of stock. In addition, this fire cost £30m in lost sales, which meant ASOS missed its £1bn sales target for 2014.

The fire in 2014 disrupted business for three days. In contrast, after the fire in the Berlin warehouse, the ASOS website serving Germany and the UK operated as normal. Following news of the Berlin fire, ASOS's share price dipped initially, but soon recovered.

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(Source: adapted from © InternetRetailing Media)

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2 (a) Using the data in Extract E, explain **one** way Hardy Punglia could use his cash flow forecast.

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(b) Using the data in Extract F, calculate the total profit variance for Zara in 2016.
You are advised to show your working.

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(c) Assess the extent to which Zara's use of just in time (JIT) may have contributed to its success.

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(d) Assess the usefulness of scenario planning to a business, such as ASOS.

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Zara is planning to open another 200 stores and is considering the best way to maintain the quality of its clothes. Zara is considering using either quality control or total quality management (TQM).

- (e) Evaluate these two options and recommend which **one** would be the best way for Zara to maintain the quality of its clothes.

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(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS
TOTAL FOR PAPER = 100 MARKS





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