

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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Thursday 23 May 2019

Afternoon (Time: 1 hour 30 minutes)

Paper Reference **8BS0/02**

Business

Advanced Subsidiary

Paper 2: Managing Business Activities

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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Pearson

Answer ALL questions.

SECTION A

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

Write your answers in the spaces provided.

Extract A

Fevertree Drinks plc: A British success story

Fevertree sells 14 different premium drinks. Its most popular products are tonic water and ginger ale. Each drink is made from the finest ingredients, such as quinine and ginger, both of which are imported. In 2016, 44.7% of Fevertree's sales were made in the UK with the remainder of sales from exports. The export market has grown by more than 40% since 2015. 5

Fevertree does not own any factories; it uses independent bottling and canning factories in the UK to produce its drinks. Fevertree arrange for the ingredients and packaging materials to arrive before the flow production process starts. Independent factories are keen to accept Fevertree's work since it improves their own margin of safety. 10

In 2014, Fevertree's shares were floated on the stock market at £1.34 per share. This raised £4 million of extra capital for the company. Since then, Fevertree's share price has risen by 1,646% to £23.40.

(Source: adapted from <http://www.cityam.com/1415066650/fever-tree-shrugs-market-woe-bigger-expected-float> and <http://fevertree1.d3r-cdn.com/pdfs/original/3094-fevertree-ar-2017-web-ready.pdf>)

Extract B

Selected information from Fevertree Drinks plc's Statement of Comprehensive Income (2016)

	£
Revenue	102 237 354
Cost of sales	(45 815 263)
Other operating expenses	(22 049 714)
Interest	(70 497)
Profit for the year (net profit)	34 301 880

(Source: adapted from <http://fevertree1.d3r-cdn.com/pdfs/original/3094-fevertree-ar-2017-web-ready.pdf>)

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1 (a) What is meant by flow production?

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(b) What is meant by margin of safety?

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(c) Using the information in Extract B, calculate the operating profit for Fevertree Drinks plc in 2016. You are advised to show your working.

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(d) Using the information in Extract B, calculate, to 2 decimal places, the profit for the year (net profit) margin for Fevertree Drinks plc in 2016. You are advised to show your working.

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(e) Assess **two** advantages to Fevertree Drinks plc of using share capital as a method of financing its future expansion.

(8)

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(f) Assess whether a depreciation in the pound will allow Fevertree Drinks plc to increase its competitiveness.

(10)

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(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS



SECTION B

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

Write your answers in the spaces provided.

Extract C

Brantano Ltd collapses

Brantano was a value footwear retailer that failed in March 2017. It had 73 stores across the UK and sold shoe brands such as Reebok and Skechers. Increased competition in the footwear market was one of the causes of the failure, as a wider range of shoes was being sold by retailers and supermarkets, such as New Look and Sainsbury's.

5

In the months before March 2017, Brantano's suppliers removed their trade credit facility and insisted it paid cash for stock in advance of any delivery. This resulted in liquidity problems and reduced Brantano's working capital. The removal of trade credit also forced Brantano to rely on the remaining buffer stock held in its warehouse to supply its shops.

Following the UK's decision to leave the European Union, economic uncertainty was also blamed for the collapse of the company.

10

(Source: Copyright Guardian News & Media Ltd 2018)

Extract D

Selected information from Brantano Ltd's Statement of Financial Position (2015)

	£000s
Non-current assets	8 502
Current liabilities	16 536
Cash and cash equivalents	2 343
Inventory	20 250
Debtors	8 154
Net assets	10 577

(Source: Crown copyright)

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2 (a) What is meant by working capital?

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(b) What is meant by stock?

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(c) Explain the distinction between Brantano Ltd's cash and its profit.

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(d) Using the data in Extract D, calculate, to 2 decimal places, the current ratio for Brantano Ltd. You are advised to show your working.

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(e) Assess **two** likely disadvantages to Brantano Ltd of relying on buffer stock to supply its shops.

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(f) Assess the extent to which increased economic uncertainty may have caused the failure of Brantano Ltd.

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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

Tesco attempt to improve profitability in a challenging market

Tesco has been in a price war with other supermarkets such as Lidl and Aldi. This has caused its market share to fall from 31.2% to 27.8% in 2017. Sainsbury's, the second largest supermarket, only has a market share of 16.0%.

In May 2017, Tesco announced that it was going to lower the prices of thousands of products to improve its competitiveness, with products such as vegetables being reduced by 5%. 5

Tesco has increased the amount of innovation within the business. Customers can now download the PayQwiq app to their mobile phone, which allows them to pay for their grocery shopping by touching their phone against a checkout card reader. Existing contactless payment technology limits such transactions to a maximum of £30. 10

Tesco has also introduced a Bring Your Own Device (BYOD) scheme, where employees can download an app onto their mobile phones. The app allows Tesco employees to scan barcodes and provide price and stock availability information to customers.

(Sources: adapted from <http://www.essentialretail.com/in-store-ops/article/570f6ff5c7313-five-ways-tesco-is-approaching-retail-technology> and <https://www.kantarworldpanel.com/en/grocery-market-share/great-britain>)

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3 To increase its profits, Tesco could use competitive pricing or increase the amount of innovation within its stores.

Evaluate these **two** options and recommend which option Tesco should use to improve 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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