

Write your name here

Surname

Other names

Centre Number

Candidate Number

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Business

Advanced

Paper 1(a): Marketing, people and global businesses

Practice paper

Time: 2 hours

Reference

Paper 1(a)

You do not need any other materials

Total Marks

Instructions

- Use **black** ink to do all writing
- **Fill in the boxes** at the top of the page with your name, centre number and candidate number
- There are **two** questions on this question paper
- Answer **all** questions
- Answer the questions in the spaces provided – *there may be more space than you need*

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*

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

Section A

ANSWER ALL QUESTIONS IN THIS SECTION

**Read the following extracts (A to C) before answering Question 1.
Write your answers in the spaces provided.**

Extract A

IKEA

IKEA is a home furnishings store established in Sweden and now operating in 48 countries worldwide. Founder Ingvar Kamprad discovered that flat pack furniture design is much cheaper to transport, store and saves labour costs in putting it together if the customer carries it home.

IKEA have tried to reduce the hierarchy and flatten the organisational structure in order to empower staff. For future success IKEA has to be a “great place to work” and part of this is a novel two-part incremental bonus system. First, all employees can get extra money if the company meets certain specified economic goals. Second, IKEA has a loyalty bonus for employees. All employees who have been with IKEA for over 5 years share in this second bonus. A staff member must be flexible and multi-skilled so they can help in other departments when needed. A marketing manager may spend time in the warehouse or on the till at peak periods. Nobody must follow their own agenda – it is all about pulling together.

Former CEO Anders Carlqvist’s “recognition” was vital to motivate the workforce with staff having “development talks” to give a challenge to the high fliers to take on new challenges such as management training. Average years of service is way above similar firms at 8.5 years. At the Gateshead store alone, IKEA employs 100 full time and 200 part time staff. Zero hours contracts and temporary staff are used at peak times such as Christmas.

In 2015, IKEA opened new stores in new global markets such as Suzhou and Chengdu Chenghua in China and Las Vegas and St Louis in the US. They have switched some suppliers to China in order to avoid import tariffs and lower costs. Prices had to be lowered in China to appeal to consumers on lower incomes and bowls had to be made deeper to hold more rice. Store locations in China are near cities as most customers use public transport unlike the US and European customers where locations are out of town.

Sources: adapted from www.businessinsider.com/former-ikea-ceo-this-is-greatest-motivator-of-all and <http://franchisor.ikea.com/bringing-the-ikea-concept-worldwide/>

Extract B

Selected data on China and the USA

	China	USA
Population	1.4 bn	318.9 m
GDP/capita US\$	7,590	629
Annual GDP growth % 2014	7.3	
Ease of doing business *	84	7
Infrastructure spending as a percentage of GDP	8.6%	5%
Wage growth	9.5%	5%

* Global ranking/189 countries

Extract C

Pound falls to new low against the dollar

In July 2016 the pound fell to a low of 0.728 - an all-time low for sterling. As a result petrol prices are expected to rise by 8p a litre. Crude oil, traded in dollars, becomes more expensive for UK garage foremen. Marsden Garage near Huddersfield have predicted unleaded petrol will go from £1.07 to £1.15 per litre next week although demand is only likely to fall by 2%.

www.bbc.co.uk/news/business-36721016

Section B

ANSWER ALL QUESTIONS IN THIS SECTION

**Read the following extracts (D to G) before answering Question 2.
Write your answers in the spaces provided.**

Extract D

Jaguar Land Rover seals Chinese joint venture

Britain's luxury car maker Jaguar Land Rover (JLR) has sealed a joint venture with Chinese company Chery Automobile, setting up a factory together in the world's second largest economy. China is now JLR's largest market. They were previously making the cars in Liverpool and exporting with a shipping time of around 5 weeks. Making JLR vehicles within China avoids a tariff of around 100% on imported cars. It also gives much more production capacity for the Asian markets.

The investment from the joint venture will include a new manufacturing plant in Changshu, near Shanghai. The two companies will also provide a new research and development and engine production facility. Under Chinese law a car manufacturer from outside China is only entitled to up to 50% of any production ownership in China, enabling these firms to gain their knowledge by partnering with foreign firms. Models will be specifically tailored for the Chinese market.

"This joint venture will bring together the heritage and experience of luxury premium vehicle manufacturer Jaguar Land Rover with the unique knowledge and understanding of Chinese customers evident at Chery," said a JLR spokesman. "As other firms like BMW are finding success in the Chinese market and it is important to keep ahead of the rival."

Some consumers are concerned that Chery's weak reputation for quality will affect the image of the cars. The affluent Chinese middle classes still aspire to buy Western goods and were willing to pay the higher prices of JLR cars exported from Liverpool.

Source: adapted from www.telegraph.co.uk/finance/newsbysector/transport/9684276/Jaguar-Land-Rover-seals-Chinese-joint-venture.html

Write your name here

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Business

Advanced

Paper 2(b): Business activities, decisions and strategy

Practice paper

Time: 2 hours

Reference

15/01/2019
Paper 2(b)

You do not need any other materials

Total Marks

Instructions

- Use **black** ink to write your answers
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Advice

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Section A

ANSWER ALL QUESTIONS IN THIS SECTION

**Read the following extracts (A to E) before answering Question 1.
Write your answers in the spaces provided.**

Extract A

ECB cuts eurozone interest rate to zero to jump-start economy

Going further than economists had expected, the Frankfurt-based European Central Bank (ECB) cut the Eurozone's main interest rate from 0.05% to zero, initially resulting in a sharp drop in the euro against the pound and the dollar.

Sources: www.theguardian.com/business/2016/mar/16/ecb-cuts-eurozone-interest-rate-to-zero

Extract B

Extract from the management accounts of ABCakes Ltd, June & July 2015

	June (£)			July (£)		
	Budget	Actual	Variance	Budget	Actual	Variance
Sales Revenue	132,450	126,340	6,110 A	159,220	140,850	18,370 A
Costs						
Wages	12,110	12,200	90 A	12,110	12,200	90 A
Variable Overheads	32,060	30,240	1,820 F	34,180	30,000	4,180 F
Other Variable Costs	51,810	47,740	4,070 F	68,510	52,070	16,440 F
Total Costs	95,980	90,180	5,800 F			
Profit (or Loss)	36,470	36,160				

Extract E

Tim Cook's Epic Growth Challenge at Apple

One of the great business leadership challenges of recent years is playing out before our eyes, widely but not fully appreciated for what it is. That's a bold claim but easily justified. This is the growth challenge facing Apple CEO Tim Cook.

Investors are lowering their estimate of Apple's value. In May 2015, they thought the company was worth \$740 billion. In January 2016, they think it's worth \$568 billion. The reason is that they believe Apple has become an iPhone company; without that incredible hit product, Apple's sales wouldn't have increased at all last year, and the iPhone now accounts for 66% of Apple's sales.

So Cook faces a mammoth challenge: finding ways to keep the world's most valuable company even more valuable when it's already so big that conventional growth strategies such as product development would barely move the needle. That's why we should not be surprised by reports (unconfirmed) that Apple is getting into the autonomous car business like Tesla. That business is at least big enough to provide noticeable growth for Apple.

Sources: <http://fortune.com/2016/01/07/tim-cook-apple-growth-challenge>

Extract I

Profits at John Lewis tumble

The John Lewis Partnership has scaled back expansion plans at its Waitrose supermarket chain and said that staff numbers would fall after reporting a sharp drop in first-half profits.

Pre-tax profit for the partnership for the six months to the end of July fell 14.7% to £81.9m. John Lewis has warned of further job losses as the business looks to improve the groups profits, especially in the face of the rapid shift towards online shopping.

Sales rose by 3.1% but profit has been held back by intense competition (especially in the grocery sector), pay increases to staff, IT costs and a new distribution network that includes a £50m extension to the groups Milton Keynes Depot.

Sir Charlie Mayfield, the employee-owned partnership chairman, said: "Our commitment to competitive pricing, excellent service, increasing pay and investment in the long term have held back profits."

Source: www.theguardian.com/business/2016/sep/15/john-lewis-partnership-profit-nearly-15-percent

Question Number	Indicative content	Mark
<p>1 (c)</p>	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Sale of assets is a method for a business to raise finance in order to expand or to improve cash flow • Chevron can scale back operations in Asia through sale of assets in the region • This will allow the company to reallocate finances to other profitable areas of the business • This is in light of a global fall in oil prices which has affected the ability for oil projects to generate sufficient returns • Selling assets could allow the business to reassess its objectives and scale back on less profitable ventures <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • There is an argument that oil prices will eventually return to pre-slump prices so a sale of assets in this sector will result in an attempt to gain market presence in Asia • Raising finance in the form of selling assets could have a negative impact on staff morale as workers may feel their job security is at risk <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • The decision to sell assets allows a cash injection into the business which is less risky than sourcing finance from banks and other institutions • Whether the benefits outweigh the costs will depend on the likelihood of oil prices remaining low 	<p>(10)</p>

Level	Mark	Description
	0	A completely irrelevant response.
Level 1-2		Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 3		Elements of knowledge and understanding, which are applied to the business example. Some chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.

Level	Mark	Descriptor
Level 3	5-6	<p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</p> <p>An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.</p>
Level 4	7-10	<p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</p> <p>Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.</p>

Question Number	Indicative content	Mark
1 (d)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> Empowerment is the extent to which employees have control over the work they do and the decisions that they can make at work Increased employee empowerment can result in increased performance at work in terms of quality and productivity The report also indicates that there is higher staff satisfaction and lower rates of mortality and hospital readmissions A happier and healthier workforce can reduce absenteeism rates and this can lead to less need for contingency staff and overworking of other employees to cover absences <p>Potential concerns</p> <ul style="list-style-type: none"> The report fails to mention any potential concerns with employee empowerment, for example, through training, can be costly and the NHS is subject to strict budgetary controls as it is a public sector organisation NHS employees may feel that they are being given more work and responsibility for extra patients which in turn could lead to staff dissatisfaction <p>Conclusion/Recommendation</p> <ul style="list-style-type: none"> Employee empowerment is resulting in a happier and more effective workforce which is also having a positive impact on patients Empowerment requires staff to be willing to change and accept new roles and responsibilities which they may not want to accept 	(12)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3-4	Elements of knowledge and understanding, which are applied to business examples. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5-8	Accurate and thorough knowledge and understanding supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning showing cause(s) and/ or effect(s). An attempt at an assessment is presented using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	9-12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well reasoned and well contextualised, using quantitative and/or qualitative information, and showing an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
<p>1 (e)</p>	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Indicative content option 1</p> <ul style="list-style-type: none"> • It is clear that investors are concerned about the over-reliance of Apple on its signature product, the iPhone. This is demonstrated by figures showing a decline in value of the firm • If sales of the iPhone are ignored, then the company would have not achieved its revenue in the last year. This indicates a need to consider investment within the rest of the company's product portfolio • Diversification represents high risk however Apple's global brand recognition is strong enough to enter new markets with new products • Rumours surrounding Apple's interest in the automotive industry (in particular the autonomous car business) indicate a willingness to take on a higher risk and shift resources away from the iPhone <p>Indicative content option 2</p> <ul style="list-style-type: none"> • The iPhone is a proven market leader and Apple has constantly reinvented itself as shown by the recent release of the iPhone 7 • The product's ability to extend its market (through penetration strategies) has resulted in the product accounting for a large proportion of the firm's revenue • Technological and social trends suggest that customers are viewing internet content primarily through mobile devices. This trend suggests that customers view mobile smart phones as the most useful technological device. • A strategy of product development is considered lower risk than diversification especially when the firm has a strong brand of the iPhone and Apple brand • The achievement of success in the autonomous car business may not be realised for a number of years into the future <p>Potential arguments</p> <ul style="list-style-type: none"> • There are arguments to suggest that the minor improvements to the iPhone in each new model are not sufficient to promote long term success for the world's most valuable company • Expectations of investors are so high that diversifying may be the preferred option to keep shareholders interested • Long term growth being achieved in new markets is perhaps more advisable than focusing on an already saturated smart phone market • Apple's large cash reserves would support the huge investment required to move into new industries such as autonomous cars • Perhaps the iPhone represents the firm's cash cow which should continue to be the company's flagship product 	<p>(20)</p>