Please write clearly in block capitals.

Centre number | | | | | |  Candidate number | | | | |

Surname _____

Forename(s) _____

Candidate signature _____
I declare this is my own work.

# A-level
# BUSINESS

## Paper 2 Business 2

Time allowed: 2 hours

**Materials**
For this paper you must have:
- a calculator.

**Instructions**
- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this answer book. Cross through any work you do not want to be marked.

**Information**
- The marks for questions are shown in brackets.
- The maximum mark for this paper is 100.

| For Examiner's Use | |
|---|---|
| Question | Mark |
| 1.1 | |
| 1.2 | |
| 1.3 | |
| 1.4 | |
| 1.5 | |
| 2.1 | |
| 2.2 | |
| 2.3 | |
| 2.4 | |
| 3.1 | |
| 3.2 | |
| 3.3 | |
| 3.4 | |
| 3.5 | |
| 3.6 | |
| **TOTAL** | |

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Answer **all** questions in the spaces provided.

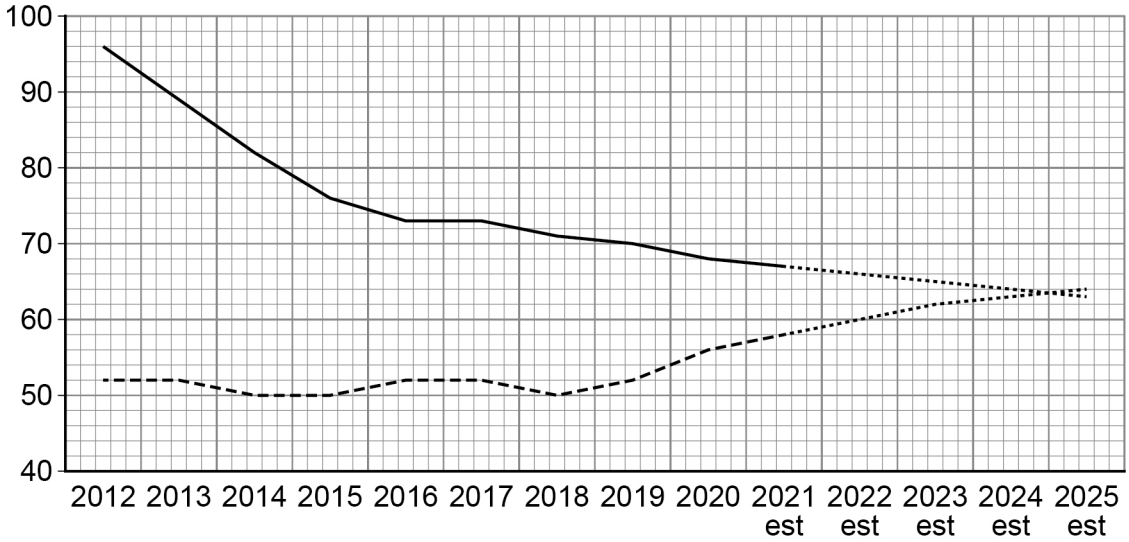
**0 1** Read the information below and then answer the questions that follow.

**The UK tea market**

Tea drinking in the UK is declining as younger customers choose alternatives such as coffee. Extrapolation of the annual sales suggests that coffee will outsell tea in the UK by 2025.

Within the overall tea market traditional black tea still dominates sales. However, a 'health tea' niche made up of fruit, herbal and green teas is growing. This niche has benefitted from its association with wellbeing.

**Appendix A Annual sales volume of black tea and coffee (million kg), UK (actual sales 2012–2020; estimated sales 2021–2025)**




**Key**

——— Tea

- - - - - - Coffee

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**Appendix B UK tea brands 2019**

| Rank | Brand | Annual Sales (£m) | % change | Type of tea in range |
|---|---|---|---|---|
| **1** | Twinings | 108 | +3.8 | Black and health tea |
| **2** | PG Tips | 99 | −7.2 | Mainly black, with small new health tea range |
| **3** | Taylors (including Yorkshire Tea) | 98 | +5.0 | Black and health tea |
| **4** | Tetley | 90 | +0.4 | Mainly black but some health tea |
| **5** | Pukka | 23 | +15.4 | Organic and ethical black and health teas |
| | Other tea brands | 144 | | |

**Appendix C Price elasticity of demand data**

| Type of tea | Price elasticity of demand |
|---|---|
| Black tea | −1.2 |
| Health teas | −0.5 |

**Turn over for Appendix D**

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**Appendix D Selected data from recent market research survey**

| How often do you drink black tea? (% of respondents) | | | |
|---|---|---|---|
| | **Overall** | **Age 18–24** | **Age over 65** |
| Several times a day | 42 | 25 | 56 |
| Once a day | 15 | 16 | 16 |
| 2–3 times per week | 10 | 14 | 5 |
| Occasionally | 12 | 17 | 7 |
| Never | 21 | 28 | 16 |

| Do you drink health tea? (% of respondents) | |
|---|---|
| | **Yes** |
| Female | 32 |
| Male | 19 |

| How important is it that the tea you buy is ethically sourced, eg fair trade? (% of respondents) | |
|---|---|
| Important | 62 |
| Not very important | 26 |
| Not at all important | 12 |

**0 1 . 1** What is meant by the term extrapolation?

**[2 marks]**

_____

_____

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2

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**0 1 . 2** Using **Appendix B**, calculate the combined market share of the top four tea brands in 2019.

**[3 marks]**

3

**0 1 . 3** Using the data in **Appendix D**, explain **one** benefit of the use of market segmentation to a business selling tea.

**[4 marks]**

4

**Turn over for the next question**

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**0 1 . 4** A business sells two types of tea: black tea and health tea.

Analyse how the data in **Appendix C** will affect how this business might change the price it charges for each type of tea to increase its sales revenue.

**[9 marks]**

9

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**0 1 . 5** To what extent does the information provided suggest that now is a good time to launch a new brand of tea?

**[16 marks]**

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16

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**0 2** Read the information below and then answer the questions that follow.

**Ocado venture with M&S**

Marks & Spencer (M&S) started to sell its popular food range online for the first time in September 2020, by forming a venture (also known as a joint venture) with Ocado. Ocado is a solely online supermarket that has well-established distribution networks and market-leading advanced technology.

M&S funded its part of the £1.5bn venture by selling £600m of shares to existing shareholders and by cutting shareholder dividends by 40%.

M&S stated that it had always believed M&S branded food should be available online and combining with Ocado was a 'win-win' situation that would drive long-term growth of both businesses.

Following the announcement of the venture, Ocado's share price rose by 3%.

The launch of the venture followed over a year of hard work and required senior managers from both businesses to work together to make it happen.

**0 2 . 1** What is meant by the term shareholder dividend?

**[2 marks]**

_____

_____

_____

_____

2

**0 2 . 2** Explain why the Ocado share price rose following the announcement of the venture.

**[4 marks]**

_____

_____

_____

_____

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**0 2 . 3** With reference to Maslow's theory, analyse the possible impact of this venture on the motivation of senior managers of the two businesses.

**[9 marks]**

9

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**0 2 . 4** Are ventures a good way for **all** businesses to grow?

Justify your view.

**[16 marks]**

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16

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**0 3** Read the information below and then answer the questions that follow.

**Disrupted supply**

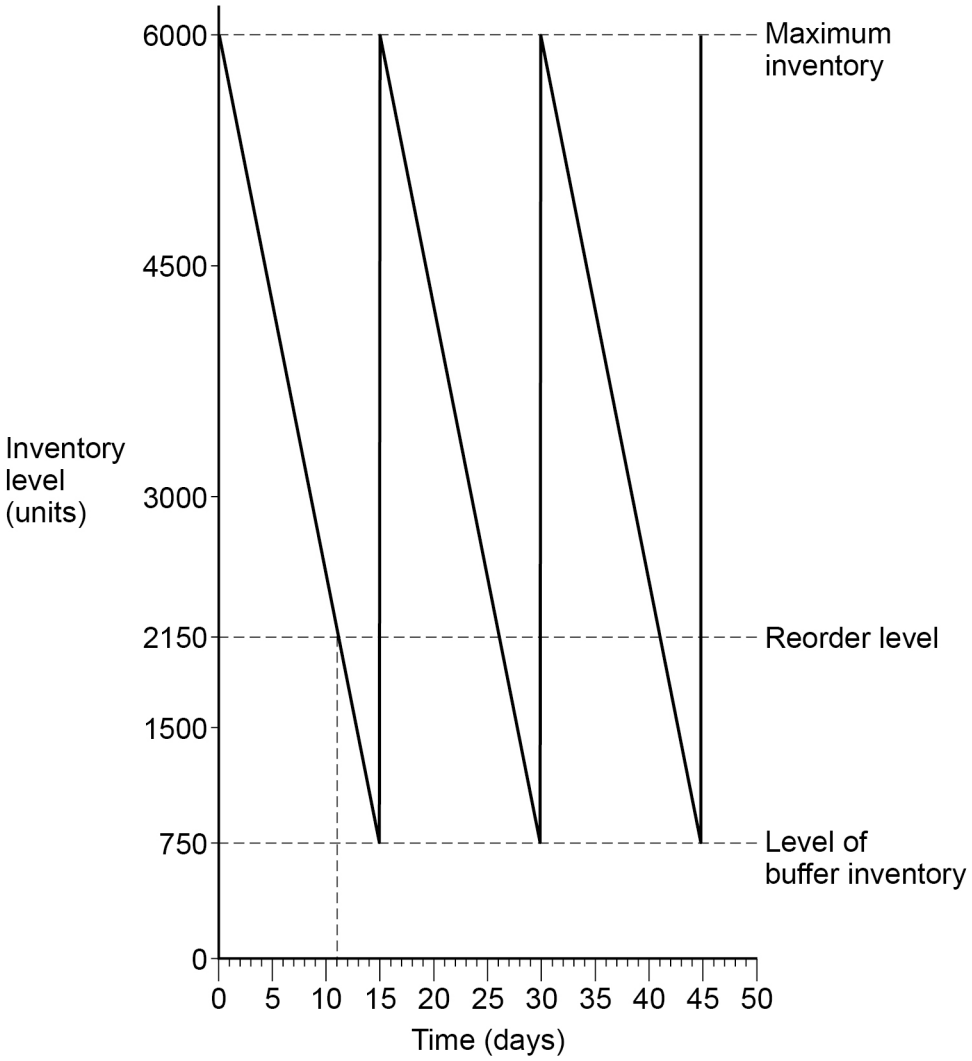
DT is a UK-based business manufacturing circuit boards which it sells to other businesses. All of DT's output is exported to Europe. The components that DT uses are sourced in the UK.

The supplier of a vital component closed suddenly in early 2020 disrupting DT's supply chain. DT's usual pattern of inventory control for this component is shown in **Figure 1**.

DT was forced to buy this component from a new and more expensive supplier.

DT stated: 'We had no contingency plan. It was impossible for us to find alternative supplies quickly enough to fulfil all our existing orders. The new supplies had higher levels of defects.'

**Figure 1 Inventory control chart showing DT's usual pattern before disruption**




2

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**0 3 . 1** With reference to **Figure 1**, calculate the lead time.

**[2 marks]**

**0 3 . 2** With reference to **Figure 1**, calculate the re-order quantity.

**[2 marks]**

2

**0 3 . 3** With reference to **Figure 1**, calculate how much inventory DT uses each day.

**[2 marks]**

2

**Turn over for the next question**

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**0 3 . 4** Explain **one** impact of a fall in the value of the pound on DT's sales.

**[4 marks]**

4

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**0 3 . 5** Analyse how contingency planning might have helped DT maintain its competitiveness.

**[9 marks]**

9

**Turn over ►**

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**0 3 . 6** Reliability is the most important factor in a business' choice of supplier. To what extent is this true for **all** businesses?

**[16 marks]**

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**END OF QUESTIONS**

16

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**ANSWER IN THE SPACES PROVIDED**

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