

Surname	Centre Number	Candidate Number
First name(s)		2



GCE A LEVEL

1510U30-1



S24-1510U30-1

TUESDAY, 21 MAY 2024 – MORNING

BUSINESS – A2 unit 3

Business Analysis and Strategy

2 hours 15 minutes

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	10	
2.	14	
3.	19	
4.	10	
5.	12	
6.	15	
Total	80	

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ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen. Do not use gel pen or correction fluid.

You may use a pencil for graphs and diagrams only.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** questions.

Write your answers in the spaces provided in this booklet. If you run out of space, use the additional page(s) at the back of the booklet, taking care to number the question(s) correctly.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

You are reminded of the necessity for good English and orderly presentation in your answers.



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Answer **all** questions.

1. Price elasticity of demand

Waves Watersports Ltd specialises in the sale of watersport equipment and clothing to retailers across Wales. Recently, the owner has become concerned about the drop in sales of its jet ski, the company's most expensive product with a price of £12 000. The business is considering lowering its prices to compete with rival businesses. It has conducted market research and discovered that average incomes are rising and demand for jet skis may be different at different prices. The table below illustrates the results of the market research:

Price of jet ski	Estimated annual sales of the jet ski
£12 000	100
£11 000	120
£10 000	130

- (a) Calculate the price elasticity of demand for Waves Watersports Ltd's jet ski if the company decides to lower its price from £12 000 to £10 000. (Show your workings). [4]

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2. Dyson Ltd

Dyson Ltd is a technology company established in the United Kingdom by Sir James Dyson in 1991. Dyson's corporate strategy states that "efficiency is in our DNA", suggesting that innovation and quality is at the centre of everything the business does. The business designs and manufactures household appliances and is particularly well known for producing premium vacuum cleaners, with its first product introduced in the UK in 1993.

Dyson continuously invests large amounts of capital into research and development to create new models of its vacuum cleaners. All new product designs are patented, so that while there are numerous alternatives on the market, none of them have the same features and most are unlikely to have the same quality as the products offered by Dyson. The products are differentiated in relation to the technology which eliminates any gradual loss of suction and removes microscopic particles.

Dyson Ltd faces competition in the vacuum cleaner market from well-known brands as well as own brand products produced by supermarkets. The table below shows the leading 5 brands of vacuum cleaners ranked by the number of users in the UK in 2021:

Brands of vacuum cleaners ranked by the number of users in the UK in 2021	
Brand	No. of users (000's)
Dyson	10 571
Shark	4 300
Vax	3 476
Hoover	2 886
Miele	1 357

Dyson produces approximately 260 000 vacuum cleaners per week. In order to achieve such a high level of output, Dyson works with hundreds of suppliers. Most of the raw materials Dyson uses are standard parts, produced by many suppliers, so Dyson has a choice of which suppliers it uses. Dyson insist that its suppliers meet very strict environmental and health and safety standards.

(a) Outline what is meant by corporate strategy.

[2]

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Additional space for Question 2(b) only.

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3. The following is an extract from the trading profit & loss account (the income statement) and the balance sheet of a UK national fashion retail business as of 29th December 2023.

Extract from the trading profit and loss account (the income statement)		
	2023	2022
	£ million	£ million
Turnover	877.7	901.9
Gross Profit	107.1	143.5
Net Profit	42.2	87.7

Extract from the balance sheet		
	2023	2022
	£ million	£ million
Total Fixed Assets	106.1	103.2
Total Current Assets	399.5	632.0
Total Current Liabilities	142.8	139.7
Total Long Term Liabilities	21.3	13.9
Net Assets	341.5	581.6
Shareholder Capital	341.5	581.6

- (a) State what is meant by net assets.

[1]

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- (b) State what is meant by working capital.

[1]

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- (c) Calculate the percentage change in turnover between 2022 and 2023. (Show your workings and present your answer to 2 decimal places).

[2]

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4. Reggae Reggae Sauce

In 2006 Levi Roots was spotted at the World Food Market by a BBC researcher and was invited to appear on the programme Dragons' Den. In exchange for a 40% stake in his business he secured the support of investors who helped get an exclusive distribution deal with Sainsbury's supermarket. Reggae Reggae sauce was an instant hit, within six weeks it was on the shelves and demand was extremely high. The sauce is now stocked by all major supermarkets within the UK.

The Levi Roots brand includes Caribbean-inspired cooking sauces, ready meals, soft drinks, snacks and desserts. Numerous restaurant chains have also signed deals with Levi Roots to use the sauce on their menus, including the national pub chain JD Wetherspoon.



Levi Roots is now looking to expand the brand internationally to build on the success it has enjoyed in the UK market. The brand launched in Jamaica in 2018 and its founder has now set his sights on the US and Africa as well as other international markets.

Discuss the ways in which the Ansoff matrix might be useful to the Levi Roots brand. [10]

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5. Growth Strategies of Starbucks and Costa Coffee

The growth strategies used by two of the United Kingdom's most successful coffee chains are very different. Starbucks is a good example of a vertically integrated business which focuses on organic growth. Starbucks grows and roasts all of its own coffee. This involves owning its very own coffee bean farm, having its own roasting bean factories and having company-owned warehousing and distribution facilities. Most of the products provided by Starbucks are sold from the 1 204 coffee shops that are entirely company-owned.

In comparison, Costa Coffee has around 2 467 coffee shops within the UK, with a mixture of company-owned stores and others operating through its franchising model. Franchisees must already own a business and be looking to incorporate Costa into the existing business. A minimum franchise fee of £250 000 is required. However, individuals who do not own a business can invest in the Costa Express franchise, which are vending machines often located in shops and garages and can be set up in a place of work.

- (a) (i) State what is meant by vertical integration. [1]

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- (ii) Explain **one** advantage of vertical integration to Starbucks. [3]

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[8]

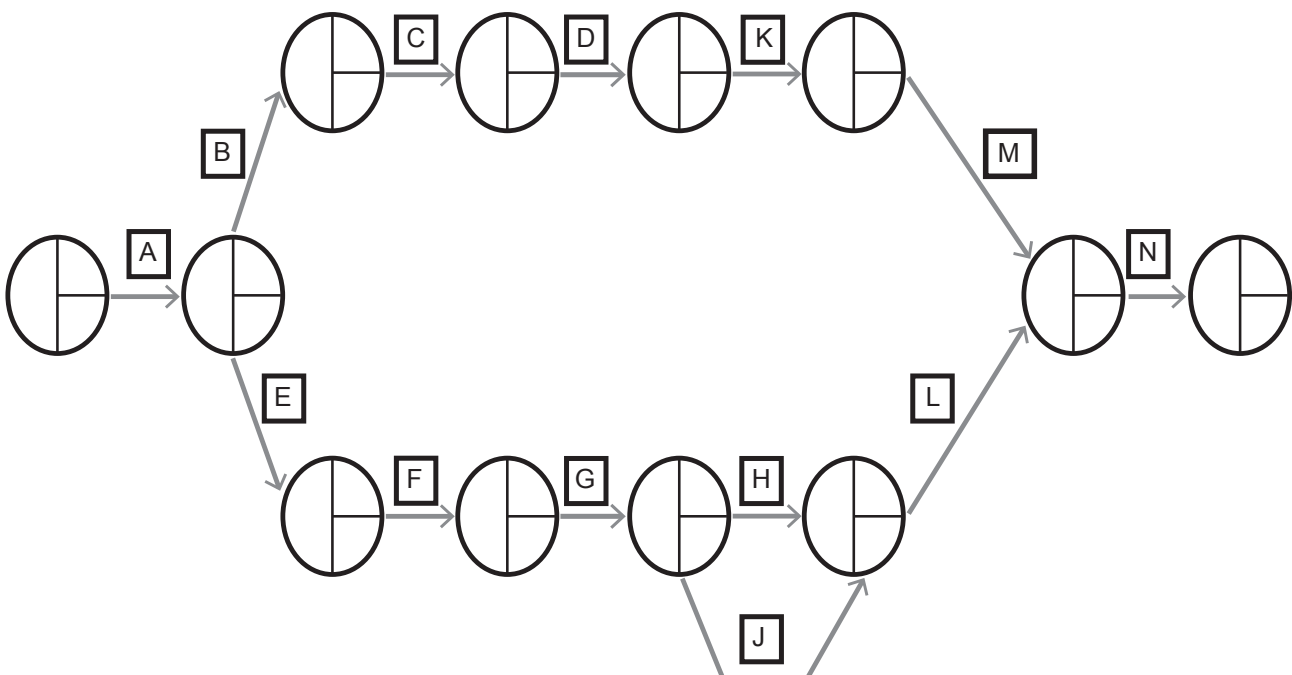
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6. Lewis Construction Ltd has been given the contract to build a new retail outlet with a short deadline of 5 weeks. The table and network diagram below gives information about the steps and time it takes to complete the project.

Activity	Preceding Activity	Time (days)
A		3
B	A	4
C	B	7
D	C	6
E	A	6
F	E	8
G	F	5
H	G	2
J	G	6
K	D	5
L	HJ	5
M	K	4
N	LM	2

- (a) (i) Complete the network diagram below, including the **time required** for each task, the **earliest start** times and the **latest finishing** times. [5]
- (ii) Mark on the diagram the critical path. [1]



- (b) With reference to your completed critical path analysis diagram, evaluate its usefulness to Lewis Construction Ltd. [9]

Examiner
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