



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2022

Centre Number

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Candidate Number

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Business Studies

Assessment Unit AS 1
assessing
Introduction to Business



[SBU11]

SBU11

MONDAY 23 MAY, MORNING

TIME

1 hour 30 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number in the spaces provided at the top of this page.

You must answer the questions in the spaces provided

Do not write outside the boxed area on each page or on blank pages.

Complete in black ink only. **Do not write with a gel pen.**

Answer **both** questions.

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.

Quality of written communication will be assessed in Question 1 parts (c) and (d) and Question 2 parts (c) and (d).

Quantitative skills will be assessed in Question 2 part (d).

Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

Any workings should be clearly shown since marks may be awarded for partially correct solutions.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each part question in allocating the available examination time.

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Answer **both** questions

Read the following information and answer the questions that follow.

1

Recycling Rejects NI

Ben, a qualified motor mechanic, was made redundant in 2020 and was given a redundancy payment of £10,000. With this money he started up his own business called Recycling Rejects NI. The aim of his business is to service and refurbish unwanted bikes and scooters and sell them at a price that ensures high profit margins. The unwanted items are donated to the business. He employs and trains three apprentices to help him in his business.

Recycling Rejects NI operates in a niche market where there are very few competitors selling refurbished second-hand bikes and scooters. Ben has found that consumers are attracted to the idea of buying a recycled bike or scooter which has been refurbished. This allows Ben to sell the bikes and scooters for a premium price and he has close contact with his consumers. However, because the business operates in a much smaller market, it does not benefit from economies of scale, such as buying the bicycle tyres and parts in bulk.

Ben adds value to the business by promoting its environmentally friendly image. More and more consumers in the UK are aware of their waste, and Recycling Rejects NI wants to capitalise on this trend. He tries to educate his younger customers of the need to reduce, reuse and recycle. This will hopefully set the business apart from competitors such as Halfords.

As a sole trader, Ben can keep all the profits and decide on how much to reinvest back into the business. He makes all the decisions on the various functions of the business and he can decide on the opening hours for the business. His major fear of being a sole trader is the risk of unlimited liability because he could lose his initial £10,000 investment and his personal possessions.

The apprentices service and add value to the unwanted bikes and scooters, by repairing and re-painting the products to ensure they are fit for resale. New seats, new tyres, brake-pads and paint add value to the bike or scooter. Ben sources the raw materials locally but also buys online to keep costs down. The apprentices have basic knowledge on how to repair bikes, but Ben trains most of the unskilled employees himself.



Ben plans to expand the opportunities for recycling in 2021. He has sought advice from Invest NI and feels that he needs more land for premises in order to expand. Ben suggests moving closer to an industrial estate in Craigavon might be a solution.

The expansion will require Ben to employ a full-time marketing manager who will promote their online social media activity, raising the awareness of recycling and environmental issues in Northern Ireland.

(a) Explain **one** factor of production using an example from the case study.

[4]

[Turn over







Read the following information and answer the questions that follow.

2

Dixons Carphone plc

Dixons Carphone plc's primary brands are Currys PC World and Carphone Warehouse. It sells consumer goods, such as refrigerators, televisions, vacuum cleaners, mobile phones, and many more household items. It is Europe's leading specialist electrical and telecommunications retailer and it employs over 42 000 people in eight countries. Its UK head office is based in London and it operates a centralised system of distribution centres for each of its regions, including Northern Ireland. The centralised distribution system delivers significant competitive advantage for Dixons, including reduced operating costs, reduced supplier delivery costs, reduced stock volumes in stores and increased flexibility as to where and when it delivers to homes across the UK.

The company reported a strong sales performance in white goods (fridges, cookers and washing machines), tablets and gaming consoles. Its market share of white goods improved due to in-store and online sales. The increased demand for games consoles was due to the improved quality of its games, better graphics and the growing trend of online gaming.

Dixons Carphone plc's sales revenue for electricals, such as kettles, toasters and microwaves, rose by 2%. These goods are not expensive and consumers buy these items more frequently to update their kitchen. The Logik brand is seen as low price, but still good quality, and this helps Dixons Carphone plc achieve a cost advantage.

The mobile phone market is a lot more challenging; a contributing factor could be lower levels of consumer disposable income. Sales revenue fell by 10% from 2018 to 2019. This resulted in the retailer reporting a £259 million pre-tax loss for the year end to April 2019. Consumers are moving away from purchasing new phones, not signing up for 24-month contracts, choosing instead to keep their old phones for longer and move to more flexible contracts.

However, despite reporting a pre-tax loss of £259 million the management team at Dixons Carphone plc use monetary methods of motivation. These are summarised in **Table 1**.



Table 1: Table of monetary methods employed by Dixons Carphone plc

Performance-related pay	The chief executive received a financial award worth more than £2.3 million based on his performance.
Fringe benefits	Dixons Carphone plc also offers fringe benefits to a variety of colleagues, including private medical insurance, eye care vouchers and dental plans. In 2019/20 the company also brought in discounts for restaurants, beauty and fitness vouchers as well as personal accident insurance, travel insurance and family activity passes.

One strategy aimed at improving Dixons Carphone plc’s sales revenue overall is to join a partnership with Amazon. This differentiates Dixons Carphone plc from its competitors. Currys PC World will now sell Amazon’s Smart TV software, such as its Fire TV-branded 4K TV sets, priced from £349, which will appeal to the video-streaming market. These televisions will be manufactured by JVC.

(a) Explain the term **consumer** good, using an example from the case study.

[4]

[Turn over



(d) Evaluate the monetary methods of motivation in **Table 1**, used by Dixons Carphone plc as a way of improving staff productivity.

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Sources

Q1.....© Examiner

Q2 and Table 1.....Adapted from © Dixons Carphone plc is Europe's leading specialist electrical and telecommunications retailer and services company, employing over 42,000 people in eight countries – <https://www.dixonscarphone.com/wo-we-are/our-brands>

Adapted from © Dixons Carphone plc Annual Reports and Accounts 2018/19

Adapted from © Mobile sales plunge at Dixons Carphone amid 'long-term turnaround by Henry Saker-Clark, 05 September 2019. Published by Belfast Telegraph <https://www.belfasttelegraph.co.uk/business/uk-world/mobile-sales-plunge-at-dixons-carphone-amid-long-term-turnaround-38469483.html>

Adapted from © Amazon Fire Tv's to be sold by Currys PC World in UK, 04 September 2019. Published by BBC News <https://www.bbc.co.uk/news/technology-49584644>

Adapted from © Dixons Carphone investors revolt over bosses' pay by Laura Onita, 05 September 2019. Published by Telegraph <https://www.telegraph.co.uk/business/2019/09/05/dixons-carphone-investors-revolt-bosses-pay/>

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Question Number	Marks
1(a)	
1(b)	
1(c)	
1(d)	
2(a)	
2(b)	
2(c)	
2(d)	

Total Marks	
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Examiner Number

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