



GCE AS/A LEVEL

2510U20-1



TUESDAY, 7 JUNE 2022 – MORNING

BUSINESS – AS unit 2

Business Functions

2 hours

2510U201
01

ADDITIONAL MATERIALS

In addition to this examination paper, you will need:

- a WJEC pink 16-page answer booklet.
- a calculator.

INSTRUCTIONS TO CANDIDATES

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

Answer **all** questions.

Write your answers in the separate answer booklet provided following the instructions on the front of the answer booklet.

Use both sides of the paper. Write only within the white areas of the booklet.

Write the question number in the two boxes in the left-hand margin at the start of each answer, for example

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Leave at least two line spaces between each answer.

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 need for good English and orderly, clear presentation in your answers.

Answer **all** questions.

1. Fidget Spinners: 2017's biggest toy craze

Fidget spinners first went on sale in January 2017. The toy's simplicity and low cost meant it became an instant hit among children of all ages. They became so popular that their sales accounted for 17% of daily online toy sales. In May 2017, the sales of fidget spinners peaked. However, like all crazes, the sales of fidget spinners declined significantly by September 2017.



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 Draw a product life cycle diagram for the fidget spinner in the UK for 2017. Accurately label the diagram including the stages of the product life cycle. [5]
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 State what is meant by the term extension strategy and suggest a suitable example for fidget spinners. [2]
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 Analyse why the product life cycle of the fidget spinner differs from other products. [5]

The fidget spinner was originally invented in the 1990s to help individuals with learning difficulties and behaviour issues including Attention Deficit Hyperactivity Disorder (ADHD).

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 With reference to fidget spinners, outline what is meant by innovation. [2]

Many businesses carry out extensive research and development (R&D). Like many other products, fidget spinners went through an extensive product design and development process before a wide range of fidget spinners were launched in the UK in 2017.

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 With the use of examples, consider the costs and benefits of research and development (R&D) for a business. [8]

2. Tesco

Tesco is the market leader within the UK grocery industry. In September 2018, Tesco launched its first new discount store in the UK, called Jack's. In an attempt to compete with discount stores, Aldi and Lidl, Tesco are expected to open 15 Jack's stores in the UK. Tesco will employ around 250 new employees in these stores.

An extract from Tesco's income statement is shown below:

Income statement for Tesco plc (Profit & loss account)		
	2017 (£m)	2018 (£m)
Turnover	55 917	57 491
Cost of sales	51 579	53 011
Gross profit	?	4 480
Gross profit margin	7.76%	7.79%
Expenses	3 321	3 412
Net profit	?	1 068
Net profit margin	1.82%	?

- 2 1** Calculate Tesco plc's net profit for 2017. (Show your workings). [2]
- 2 2** Calculate the net profit margin for Tesco for 2018. (Show your workings). [2]
- 2 3** Analyse the financial performance of Tesco over the two-year period. [4]
- 2 4** Evaluate **two** ways in which a business could improve its profit. [6]
- 2 5** Analyse why workforce planning is so important to large businesses. [6]

3. Propercorn

Cassandra Stavrou left her successful job in an advertising agency to co-establish the “posh popcorn” brand Propercorn. When working in advertising, Cassandra noticed that her colleagues were always hit by a mid-afternoon slump. “I noticed an opportunity for a snack that was tasty and good for you, and I felt popcorn would be a good vehicle to do that.” In October 2011, Propercorn launched with four flavours including Sweet & Salty and Sour Cream & Chive. The brand now has several flavours of popcorn including Peanut Butter and Almond and Fiery Worcester Sauce and Sun-Dried Tomato which are also gluten-free and vegetarian. The low-calorie count is clearly advertised on the front of the packet.



Propercorn is one of the fastest-growing snacks in the UK, selling everywhere from cafes to supermarkets. The brand has expanded overseas to 10 countries including Germany and Switzerland allowing Propercorn to benefit from **economies of scale**. Its success has come at the same time as a rapid increase in the popularity of popcorn with total UK sales for popcorn increasing from £50m in 2010 to £129m in 2015. However, Propercorn operates in a very crowded market with many emerging brands including Metcalfe’s, Tyrrells and Poshcorn.

The brand has used distinctive advertising. Propercorn’s ‘Dress London’ campaign was voted “Ad of the Week” in June 2015. Its promotional campaign saw buildings, pavements, phone boxes, bicycles and buses across London decorated in the brand’s popcorn print. It combined billboards, bus and print advertising with its bold popcorn pattern set against the brand’s bright pack colours. “We’ve worked to increase brand awareness, not through repeated slogans or messaging, but through simple, eye-catching visuals which reflect our vibrant popcorn brand,” said Cassandra Stavrou.

Propercorn adopts a democratic leadership style as it regards its team of staff as key to its success. Propercorn encourages table tennis breaks, hosts art classes and yoga, illustrating its caring approach. All 40 employees have lunch together every day because Cassandra feels it’s important that everyone knows each other and has good conversations over food to discuss and share ideas. Everyone therefore feels a part of Propercorn, knows where the business is going and is involved in making decisions. It employs creative staff who share the company’s values and think independently.

Propercorn say their goal is to be the “number one global popcorn brand”.

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| 3 | 1 | Calculate the percentage change in UK popcorn sales between 2010 and 2015. | [2] |
| 3 | 2 | Outline what is meant by the term <i>economies of scale</i> . | [2] |
| 3 | 3 | Explain two different types of internal economies of scale. | [4] |
| 3 | 4 | Explain two ways Propercorn has added value to its products. | [4] |
| 3 | 5 | Describe one purpose of marketing. | [2] |

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Discuss the view that Propercorn's product is the most important element of its marketing mix.

[12]

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To what extent do you agree that all businesses should adopt a democratic leadership style?

[12]

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