

Surname	Centre Number	Candidate Number
First name(s)		2



GCE A LEVEL

1510U30-1



WEDNESDAY, 25 MAY 2022 – AFTERNOON

BUSINESS – A2 unit 3 **Business Analysis and Strategy**

2 hours 15 minutes

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	20	
2.	11	
3.	15	
4.	13	
5.	11	
6.	10	
Total	80	

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

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

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 pages 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. Seaways Hotels

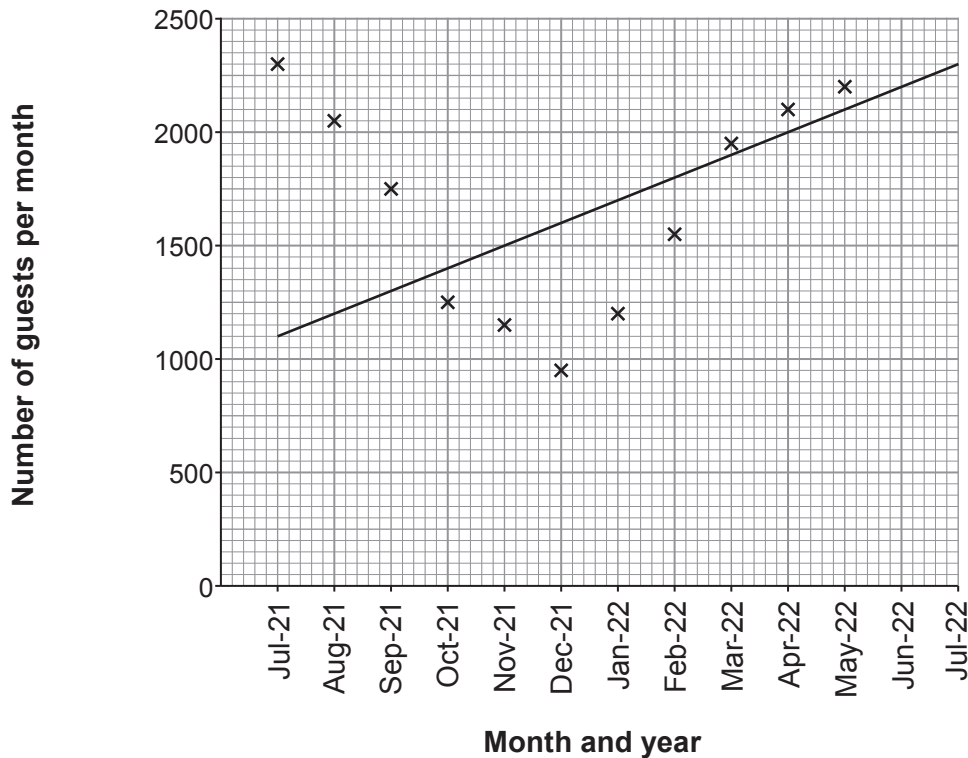
Seaways is a private limited company with a chain of hotels located across 12 locations in Wales. All hotels are situated in seaside resorts such as Porthcawl in South Wales, Saundersfoot in West Wales and Prestatyn in North Wales. Each hotel has approximately 70 rooms that accommodate between 2–4 people and provide entertainment during busy times. The hotels provide a range of packages that include:

- Option 1 – Overnight stay plus breakfast
- Option 2 – Overnight stay plus breakfast and evening meal
- Option 3 – Overnight stay plus breakfast, lunch and evening meal

The number of customers staying at the hotels varies depending on a number of factors including seasonality, weather and special events such as the ‘Elvis Festival’ that is held in Porthcawl once a year.

The graph below shows the number of guests staying at the Seaways Hotel chain between July 2021 and May 2022. Guest levels have been forecasted for June and July 2022 using a line of best fit and extrapolation.

Sales forecast for Seaways Hotel chain including 3 month moving average and line of best fit



- (a) Use extrapolation to state how many guests are expected to stay at the Seaways Hotel chain in July 2022. [1]

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(b) Explain how the data in the graph could be used to aid the future planning of the Seaways Hotel chain.

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(c) Describe the factors that could influence the reliability of the sales forecast for the Seaways Hotel chain for July 2022.

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2. Sainsbury’s £1.4 billion takeover of Argos

In 2016, Sainsbury’s, the UK’s second largest supermarket chain, completed a £1.4 billion takeover of catalogue retailer Argos. This is an example of horizontal integration because both businesses are in the retail industry and both sell similar products such as electrical goods, toys and home furnishings.

A major reason Sainsbury’s bought Argos was for its delivery network. Sainsbury’s is aiming to deliver goods to customers quicker than its rivals such as Amazon, which launched a grocery delivery service in the UK in 2017. The Argos delivery model, which delivers items to shoppers the same day if they order before 6pm, is very appealing to customers. The supermarket chain has already opened over 100 Argos stores within its own stores (concessions) since taking over the catalogue retailer and plans on opening many more Argos concessions as it attempts to improve performance in a very competitive environment.

Source: <https://www.bbc.co.uk/news/business-39587222>

(a) Explain the advantages and disadvantages of horizontal integration for Sainsbury’s. [8]

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(b) To what extent do you agree that horizontal integration was the best form of growth for Sainsbury's? [3]

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3. PD Home Builders Ltd was established in 1980 by Phillip Downs when he completed his first house build at a site in Bridgend, South Wales. The business expanded to build homes across Wales and quickly established a reputation for high-quality houses. In 2010, the company celebrated its 30th anniversary by winning two of the top regional housebuilder awards, recognising the quality in design and build.

Today, PD Home Builders Ltd has grown into a large company with an extensive product range that includes a wide variety of styles and sizes of houses for customers with different needs and wants.



PD Home Builders Ltd's 2022 objectives and actual results from 2021 and 2020

	2022 Objectives	2021 Actual	2020 Actual
Turnover	£22 200 000	£19 200 000	£16 200 000
Profit	£2 600 000	£2 200 000	£2 000 000
Building projects	15	12	12
Customer-recommended rating	90%	85.1%	84.9%
Total employees	300	260	240
Labour turnover per year (number of workers leaving company)	15 (5%)	20 (7.69%)	12 (5%)
Accident/Incident rate by site	0.30 or below	0.40	0.35

(a) With reference to the non-financial data, analyse the performance of PD Home Builders Ltd.

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4. Rhian Khaliq is the Managing Director of Classy Bows Ltd, a manufacturer of high-quality hair accessories including hair bows and hair bands for children. Despite charging a competitive price of £4.50 for the bows, the UK market has become saturated and sales have been slowing down. However, last month the company still managed to sell 4000 bows to make a profit of £2000.

To compensate for lower sales in the UK, Rhian Khaliq is interested in selling to European countries. One retailer from France is willing to make a special order of 2000 bows, if Classy Bows Ltd reduces its price from £4.50 per bow to £3.00. With variable costs of £2.50 per bow and fixed costs of £6000 per month, there is very little margin for profit.

(a) With reference to Classy Bows Ltd, state what is meant by a special order. [2]

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(b) Calculate the total contribution that would be made if Classy Bows Ltd accepts the special order from the French retailer. (Show your workings.) [3]

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(c) Discuss the factors that Classy Bows Ltd should consider before deciding whether to accept the special order from the French retailer. [8]

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5. Sheds for Wales Ltd

Sheds for Wales Ltd was founded 15 years ago by Davey Jones. The business manufactures and constructs wooden garden sheds and summer houses that are designed to meet specific customer requirements. The business has come a long way since Davey invested the £50 000 he received from a redundancy package to set up the business. In 2020, the company owned 10 delivery vehicles, a large storage facility and a variety of expensive machinery used to produce the unique sheds.

In 2021, Davey Jones decided to sell five vehicles and one machine. Most of the money received from the sale of these fixed assets was included on the income statement as an extraordinary item. The rest of the money was kept as cash and included as part of current assets within the balance sheet to improve the current ratio. The current ratio for 2020 compared to 2021 is shown in the table below:

Current ratio – 2021	Current ratio – 2020
1.85:1	1.22:1

Despite the success of the business, Sheds for Wales Ltd's accountant has some concerns. Firstly, the business takes far too long to chase up debtor payments and secondly, it takes too long to make payments to trade creditors, with some suppliers threatening to cancel their trade agreement with Sheds for Wales Ltd.

The following figures have been extracted from the income statement and balance sheet of Sheds for Wales Ltd for the years 2021 and 2020.

Profit & Loss Account (Income Statement)			Balance Sheet		
	2021 £000s	2020 £000s		2021 £000s	2020 £000s
Turnover	2000	1900	Fixed (non-current) assets	520	672
Less cost of sales	1200	1000	Current assets	122	134
Gross profit	800	900	Current liabilities	66	110
Sale of an extraordinary item	300	–	Total long-term (non-current) liabilities	32	38
Less expenses	400	450	Net assets	544	658
Net profit	700	450	Share capital	514	624
			Reserves	30	34
			Total shareholder funds	544	658

- (a) With the use of an example, outline what is meant by the term current liability. [2]

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(b) Assess the current ratio of Sheds for Wales Ltd between 2021 and 2020.

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(c) With reference to the data, describe how and why window-dressing has been used by Sheds for Wales Ltd.

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END OF PAPER



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