

Section A

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


For the multiple-choice questions, completely fill in the circle alongside the appropriate answer(s).


CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

0 1 . **1** Which of the following is included on an Income Statement?

[1 mark]

- A Current assets
- B Net cash flow
- C Non-current liabilities
- D Overheads

0 1 . **2** Which of the following is a factor of production?

[1 mark]

- A Land
- B Opportunity cost
- C Profit
- D Specialisation

0 1 . **3** Which of the following states that products must be described accurately?

[1 mark]

- A Consumer Law
- B Employment Law
- C Health and Safety Law
- D Minimum Wage Law

0 1 . **4** A business sells its products by phoning its customers. Which of the following describes this sales process?

[1 mark]

- A Mailing
- B Sponsorship
- C Telesales
- D Wholesaling

0 1 . **5** Which of the following formulae is used to calculate net cash flow on a cash flow forecast?

[1 mark]

- A Cash inflow – cash outflow
- B Cash inflow + cash outflow
- C Opening balance + cash inflow
- D Opening balance – cash outflow

0 1 . **6** Which of the following describes a pricing method that sets low prices to attract customers in a new market?

[1 mark]

- A Competitor pricing
- B Cost-plus pricing
- C Loss leader
- D Penetration pricing

0 1 . **7** State **two** advantages of setting up as a partnership instead of a sole trader.

[2 marks]

0 1 . **8** State **two** sources of finance for a business.

[2 marks]

0 1 . 9 Define what a statement of financial position is?

[2 marks]

0 1 . 10 Explain **one** objective of an entrepreneur.

[2 marks]

Turn over for the next question

0 1 . **11** Explain **two** possible effects of a business lowering its prices.

[4 marks]

Effect 1

Effect 2

0 1 . 12 Figure 1 shows an extract of a cash-flow forecast.

	January (£)	February (£)
Net monthly cash flow	(353)	2,727
Opening balance	(151)	
Closing balance		

Calculate the closing balance in pounds (£) for **February** for **Figure 1**.
Show all your workings.

[2 marks]

Answer £

Turn over for the next question

Section B

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

0 2

Item A – Emporium of Candy

Emporium of Candy sells American sweets known as candy. It has a reputation for producing quality candy and it charges on average £5.99 per pack.

Emporium of Candy has two shops. The first was opened in Loughton, where customers can watch the candy being produced in the kitchen. There are opportunities for customers to taste samples of the range of candy on sale in the shop. In 2016 the business grew and opened a shop in Romford. This means the company can order ingredients in bigger quantities. It also allows the business to buy the most up-to-date candy making equipment. The best-selling candy often sells out as soon as it is made and at times the shop is so busy that customers have to queue outside.

Market research shows:

- an increase in online shopping in the UK market for candy
- few competitors are able to make products of the same quality as Emporium of Candy. Many customers travel several miles to come to the shops and have asked if its candy will be available to buy online.

Annual costs and sales 2016

Rent	£23 000
Advertising	£16 000
Raw materials	£650 000
Wages	£120 000
Other costs	£66 000
Number of packs of candy sold	250 000

0 2

1

In 2015 Emporium of Candy had average unit costs of £4 per pack of candy.

Calculate the difference in pounds (£) in the average unit costs between 2015 and 2016.

State the formula used and show all your workings.

[4 marks]

0 2 . 4 Item B – Emporium of Candy

Emporium of Candy has been selling its candy online for 10 months. The manager is worried that it may not break-even. Its forecasted yearly break-even level of output for online sales is 300,000 packs.

The company has experienced greater competition in recent years. For example, an online competitor is now selling maple syrup candy at a lower price than Emporium.

Emporium of Candy has several flavours which are unique to it and these have sold well on the internet. However sales of its maple syrup flavoured candy have been very low even though customers in the shops always buy this flavour after tasting a sample.

Managers are considering giving online customers a 15% discount coupon off their next order if they order at least £20 worth of candy. They could offer the discount coupon for all flavours of candy bought or just some of them. At the moment the average order by customers is around £16 (four packs). The introduction of the discount coupon would be promoted online.

Explain **one** way in which greater competition may affect a business.

[2 marks]

0 2 . 5

Using **Item B**, analyse why the forecasted yearly break-even level of output for online sales of Emporium of Candy may not be accurate.

[6 marks]

0 2 . 6

In order to boost its online sales Emporium of Candy is considering giving customers a 15% discount coupon off their next order. Customers would need to purchase more than £20 worth of candy to use the coupon.

Advise Emporium of Candy whether or not this is a good idea. Give reasons for your advice.

[9 marks]

Section C

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

0 3**Item C – Hendry plc**

Hendry plc is a luxury British brand, which makes a range of designer handbags and clothing. The company is known for its famous Hendry checked pattern. In the past this checked pattern has covered all of its clothes.

In 2001, UK sales of Hendry started falling when newspapers made fun of the brand by showing photos of a TV star and her baby, who were both dressed from head to toe in Hendry clothes that were covered completely in the checked pattern. The brand was also becoming associated with football hooligans and as a result some businesses banned customers who wore Hendry clothes from coming into their stores. Hendry decided to change its designs to reduce how much of the distinctive checked pattern was used on its clothes. Only 5% of each product is now covered with this pattern.

Hendry recently used a famous British film actress in all its promotions in China, where the company is very successful. It has managed to attract young and rich Chinese people by giving them an English brand that is seen as having a “young” style. 70% of buyers of luxury products in China are under 45 years; this group like looking for information online and using mobile technology to compare prices before buying a luxury product.

Hendry was the first business to show one of its promotional campaigns live on social media. It now has 40 million followers across all the different types of social media. A recent video of Hendry products was seen more than 3 million times on China's top online video and streaming site.

0 3**1**

Analyse why it is important for Hendry to have a good brand image.

[6 marks]

0 3 . 2

Using **Item C**, explain **one** way in which Hendry might segment its market.

[4 marks]

0 3 . 5 Figure 3 shows the revenue and costs of Hendry for 2016.

	2016 (£ millions)
Revenue	2500
Cost of sales	752
Overheads	1344

Calculate the gross profit for Hendry in 2016.

State the gross profit formula used and show all your workings.

[3 marks]

Formula

Workings

Answer £

Turn over for the next question

0 3 . 6 Item D – Hendry plc

Hendry's owners are looking at ways to increase sales as the company's revenue fell by 1% and its profits fell by 10% in 2016. One area it is considering is the accessories market - this includes bags and rucksacks. Sales of accessories are generally growing fast around the world although they have been an area of weakness for Hendry compared with its competitors. However, Hendry has had some success: in 2015 it launched a rucksack targeting females. This rucksack sold out globally within 24 hours, creating a waiting list of customers desperate to have the bag. Hendry is now going to produce new types of bags.

E-commerce sales have been strong for the business and continued to increase. Hendry.com is recognised as a leading site in the luxury market. The company plans to continue to grow Hendry.com through increasing the use of local websites for different areas of the world and the introduction of a customer app where sales can be made for mobile users. One third of total future sales growth for the company is expected to come from e-commerce and m-commerce sales.

China is an important market for Hendry where sales are increasing. E-commerce as a percentage of sales in China was more than twice the average of other countries.

Hendry Product Mix 2015/16	Sales revenue (%)
Accessories (eg bags and rucksacks)	36%
Women's clothes	30%
Men's clothes	22%
Beauty products	8%
Children's clothes	4%

Explain the marketing term 'm-commerce'.

[2 marks]

