AQA

Please write clearly in block capitals.

Centre number | | | | | | Candidate number | | | | |

Surname ____________________

Forename(s) ____________________

Candidate signature ____________________

I declare this is my own work.

GCSE
BUSINESS

Paper 2 Influences of marketing and finance on business activity

Wednesday 5 June 2024 Afternoon Time allowed: 1 hour 45 minutes

Materials

For this paper you must have:
- a calculator.

Instructions
- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this answer book. Cross through any work you do not want to be marked.

Advice
- The marks for each question are shown in brackets.
- The maximum mark for this paper is 90.

For Examiner's Use	
Section	Mark
A	
B	
C	
TOTAL	

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Section A

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

Only **one** answer per question is allowed.

For each multiple-choice question, completely fill in the circle alongside the appropriate answer.

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 **one** of the following is a source of internal finance for a business?

[1 mark]

A Bank loan

B Mortgage

C Overdraft

D Retained profit

0 1 . 2 Which **one** of the following is **true** for a private limited company?

[1 mark]

A It has plc after its name.

B It is fully owned by the government.

C Shares can be sold to the general public.

D Shareholders receive dividends.

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0 1 . 3 Which of the following terms is equal to revenue minus cost of sales?

[1 mark]

A Average unit cost ⬭

B Gross profit ⬭

C Net profit ⬭

D Retained profit ⬭

0 1 . 4 Which **one** of the following is a method of primary market research?

[1 mark]

A Focus groups ⬭

B Internet research ⬭

C Magazines ⬭

D Newspapers ⬭

0 1 . 5 Which of the following is an example of qualitative data gathered through market research?

[1 mark]

A Customer opinions of a product ⬭

B How often customers buy a product ⬭

C The amount customers spend on a product ⬭

D The number of products sold ⬭

Question 1 continues on the next page

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0 1 . 6 A business decides to expand sales by using e-commerce. This is an example of:

[1 mark]

A external growth. ⬭

B organic growth. ⬭

C product development. ⬭

D takeover. ⬭

0 1 . 7 Identify **two** pricing methods used by businesses.

[2 marks]

Method 1 ______________________________

Method 2 ______________________________

0 1 . 8 Identify **one** stakeholder of a business and **one** objective they may have.

[2 marks]

0 1 . 9 Explain **one** reason why someone may want to start a business.

[2 marks]

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0 1 . 10 Explain **one** benefit to shareholders of limited liability.

[2 marks]

0 1 . 11

Table 1 Extract from an income statement

	£ millions
Revenue	75
Cost of sales	33
Gross profit	42
Expenses	12
Net profit	30

Using **Table 1**, calculate the net profit margin.

Show all workings.

[2 marks]

Workings

Answer

Question 1 continues on the next page

Turn over ►

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0 1 . 12 State and explain **two** reasons why it is important for a business to identify the needs of its customers.

[4 marks]

Reason 1 ______________________________

____

____

____

Reason 2 ______________________________

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____

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20

Turn over for Section B

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Section B

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

0 2 **Item A: Suheila Web Designs**

Suheila Web Designs (SWD) is a website design business set up by Suheila as a sole trader. Suheila works on her own with no employees to support her. SWD designs websites for businesses to promote and market their goods and services.

SWD has set specific objectives which has led to an increase in sales. The business continues to grow rapidly and profits are high.

Many of Suheila’s customers are now asking for her to add e-commerce features to their websites. However, Suheila is unable to meet this demand because she lacks the necessary skills.

Suheila is considering forming a partnership with Johal, her brother-in-law. He has 10 years’ experience of working in web design with advanced e-commerce features.

0 2 . 1 Explain **one** benefit of carrying out market research before starting a business.

[2 marks]

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0 2 . 2 SWD has set objectives of increasing market share and providing a quality service.

Analyse **one** reason for SWD setting objectives.

[6 marks]

Extra space

Question 2 continues on the next page

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0 2 . 3 Johal is unable to invest any capital in the business.

Recommend whether Suheila should form a partnership with Johal.

Give reasons for your answer.

[9 marks]

Extra space

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Question 2 continues on the next page

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Item B: Suheila Web Designs

SWD has experienced continued success. Johal has joined the business and as a result of offering the service of e-commerce, sales revenue and profit has continued to grow.

In 2024, revenue is expected to grow by 35% from 2023. Net profit has also been increasing and the business currently has £38 000 in retained profits.

Table 2 Selected financial information for SWD (figures are in £000s)

Year	Revenue (£000s)	Net Profit (£000s)
2022	74	32
2023	120	54

Due to the rapid growth of the business SWD needs to invest in some new, modern computers. This would cost £36 000.

Table 3 Cost and additional profit expected from investing in new computers

Cost of new computers	£36 000
Additional profit over 5 years	£45 000

Johal believes that SWD should use retained profit to pay for the investment. He feels that the business is in a strong financial position.

Suheila is investigating a leasing agreement. SWD could return the computers after 3 years for more up-to-date computers. Leasing the new computers would cost £8000 per year.

0 2 . 4 Explain how a service is different from a good.

[2 marks]

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0 2 . 5 Using data from **Item B** and **Table 2**, calculate the expected revenue for SWD in 2024.

Show your workings.

[2 marks]

Answer ______________________

0 2 . 6 Using data from **Table 3**, calculate the average rate of return if SWD invests in new computers.

Show your workings.

[3 marks]

Answer ______________________

Question 2 continues on the next page

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0 2 . 7 The new computers are expected to last 5 years, after which they will need replacing again.

Recommend whether SWD should use retained profits to purchase the new computers.

Give reasons for your recommendation. Use the financial information provided to support your answer.

[9 marks]

Extra space

33

Turn over for Section C

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Section C

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

0 3 **Item C: Fitness Today**

Fitness Today (FT) is a UK based business. The business manufactures and sells fitness equipment for people to use at home. FT only sells two pieces of fitness equipment: an exercise bike and a treadmill (running machine). A recent billboard campaign located in areas where there are lots of bars, cinemas and restaurants has slightly increased orders. FT uses segmentation to target customers. Through market research FT has found out that its customers are fitness enthusiasts aged between 25 and 44. The company wants to reach more of these customers in the future.

FT is considering giving customers the option to use trade credit. This would allow customers to pay for equipment in 24 equal monthly instalments. FT's main competitors do not offer trade credit.

0 3 . 1 Explain **one** benefit of using billboards as a method of advertising.

[2 marks]

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0 3 . 2 Through market research FT has found out that its target customers have high disposable income.

Explain how FT can target customers by using segmentation. You should use information in **Item C** in your answer.

[4 marks]

0 3 . 3 FT equipment is very expensive, so customers are usually high-income earners.

Analyse **one** advantage for FT of offering trade credit to customers.

[6 marks]

Turn over ►

Item D: Fitness Today

The exercise bike was the first product that FT created. There are two competitors in the UK exercise bike market, but FT has the largest market share. FT promotes itself as an ethical business and this has given it a competitive advantage. The exercise bike has been the best-selling product for FT; however, the exercise bike market is not growing so its sales have fallen. FT has always focused investment on its exercise bike. FT recently developed a treadmill, but its share of the treadmill market is still very low.

FT is considering developing a new version of its exercise bike. The new version (V2) would be launched in October. The V2 would be sold for £1200; all sales are in cash.

FT has produced a cash flow forecast to show:

- sales of the current bike in August and September
- the impact on outflows from the launch of the V2 bike in October.

Table 4 Cash flow forecast for Fitness Today bike sales

	Aug	**Sep**	**Oct**
	(£000s)	**(£000s)**	**(£000s)**
Total cash inflows	320	290	
Total cash outflows	260	240	312
Net cash flow	60	50	
Opening balance	372	432	482
Closing balance	432	482	

0 3 . 4 Explain **one** way a business can be ethical.

[2 marks]

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0 3 . 5 FT has forecast it will sell 450 V2 bikes in October. Cash inflow from the sales of the original bike is forecast to decrease to £87 000 in October.

Calculate the total cash inflow for October. Use the information in **Item D** in your calculation.

Show your workings.

[2 marks]

Answer ______________________

0 3 . 6 Calculate the closing balance for FT in October. Use your answer to Question **3.5** and the information in **Table 4** in your calculation.

Show your workings.

[3 marks]

Answer ______________________

Question 3 continues on the next page

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0 3 . 7 Market research has shown that running is quickly growing in popularity and more people are buying treadmills.

Analyse **one** reason why FT should use the Boston Matrix before deciding whether to invest in its treadmill.

[6 marks]

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Item E: Fitness Today

FT has decided not to invest in the V2 bike. Instead, it is going to focus on increasing revenue through sales of its existing equipment. FT is considering two options.

Option 1 – Use TV advertising to promote the existing equipment in the UK

FT is considering running a national TV campaign. The aim would be to demonstrate the bike and treadmill in action. Previous adverts on billboards have not met the sales targets FT wanted. The advert would be shown on a popular sports channel where Premier League football matches have over 2 million viewers. The campaign would be expensive. A prime-time advertising slot costs £30 000 for one showing of an advert.

Option 2 – Create a better design for the global market

FT could add a screen to its equipment for the international market. A feature of the screen would be streaming live workout classes which run for 5 hours each day and are linked specifically to the equipment. A monthly subscription would be needed, costing £10 per month. There is a lot of competition in the global fitness market, but FT is confident that the new screen would make its bike and treadmill stand out. Development and production of the screen would increase the price customers pay for the equipment by at least 25%.

0 3 . 8 FT wants to increase its revenue. It is considering **two** options to achieve this:

- use TV advertising to promote the existing equipment in the UK
- create a better design for the global market.

Analyse the effect of **each** of these **two** options on the business.

Evaluate which of these **two** options will have the biggest impact on FT's revenue.

[12 marks]

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