

# Pearson Edexcel

Business

Advanced Subsidiary  
Specimen Paper

## Paper 2: Managing business activities (B)

Time: 1 hour 30 minutes

### Instructions

- Use black ink or ball-point pen.
- Answer all questions.
- Answer the questions in the spaces provided – there may be more space than you need.

### Information

- The total mark for this paper is 80.
- The marks for each question are shown in brackets – use this as a guide as to how much time to spend on each question.

### Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

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# Section A

ANSWER **ALL** QUESTIONS IN THIS SECTION

**Read the following extracts (A to C) before answering Question 1.**

**Write your answers in the spaces provided.**

## Extract A

### **Entrepreneur aims to spread his jam into China and Japan with crowdfunding help**

SuperJam is an award winning producer of a range of 100% fruit jams created by high profile Scottish entrepreneur Fraser Doherty MBE. The brand has sold millions of jars around the world and is currently stocked by major UK retailers including Waitrose.

Recently SuperJam have been able to make use of crowdfunding website Crowdcube in order to secure around £300,000 in new capital for the business, giving away 12% equity. The new business plan will see SuperJam launch a range of honeys, marmalades and peanut butter and try to expand into other supermarkets in the UK.

It will also fund efforts to expand into growing markets in China and Japan, building on the success the company is currently enjoying in South Korea.

*(Source: [www.heraldscotland.com](http://www.heraldscotland.com))*

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## Extract B

### Cummins Turbo Technologies

Cummins Turbo Technologies produce Turbo systems for diesel engines. The factory has been reorganised into divisions or cells for each product area. As a result the factory holds less stock and responds more quickly to customer orders.

Cummins is world class in its field. The American firm have been making engines and turbos since 1919 and have a large manufacturing and engineering site in the UK. New regulations on emissions are not a major problem since the technical know-how and research and development at Cummins make them way ahead of rivals. Modern diesel engines require outstanding efficiency. Cummins is the only manufacturer focused solely on medium to heavy-duty diesel engine turbo technologies, and right now is actively focusing on development of state of the art for the next generation, like assisted turbocharging, new bearing systems and enhanced compressor stage performance. Financially, Cummins gross profit margins are substantial when compared to rivals in the industry.

*(Source: Harvard Business Review: Cummins Engine Flexes its Factory)*

## Extract C

### Poppadom

Poppadom is an Asian restaurant and takeaway set on a busy road with ample car parking. Yet on a Friday night there is no need to book as it is rare for more than 2 tables to be used out of the 12 available. In fact there are usually only 80 customers attending the restaurant per week. One reason could be its distance of 1 mile from the main town centre. A typical customer brings in an average revenue of £14. The fixed costs amount to £1400 per week. In addition there are currently variable costs to pay of £800 per week including meat and vegetables.

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**1** (a) What is meant by Crowdfunding? **[2 marks]**

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(b) What is meant by cell production? **[2 marks]**

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(c) Calculate the break-even number of customers needed by Poppadom. **[4 marks]**

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(d) Explain one benefit of Poppadom operating at under capacity.

**[4 marks]**

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(e) Assess **two** reasons why SuperJam would have produced a cash flow forecast.

**[8 marks]**

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[illegible]

**TOTAL FOR SECTION A = 30 MARKS**

## Section B

ANSWER **ALL** QUESTIONS IN THIS SECTION

**Read Extract D before answering Question 2.**

**Write your answers in the spaces provided.**

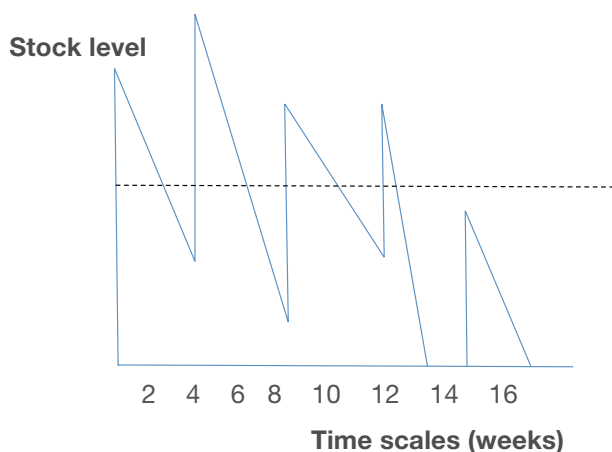
### Extract D

#### Standor

Standor Ltd is a grocery wholesale business in the Lake District supplying hotels and restaurants with bulk orders of fruit, vegetables and frozen goods. Prices of each order enable a positive contribution to be made towards expenses such as rent and vehicle costs. Deliveries are given to hotels each day and they have 60 days to settle their invoice. Standor itself takes deliveries from large suppliers of potatoes and other goods regularly. A stock control chart for one week's stock of potatoes is shown below. Standor are given 30 days to pay for these. Other significant outgoings for Standor are on wages and investment in new delivery vehicles and expansion into floristry.

Standor had a typical output of 3000 orders per week last year. Staff productivity in this period was 750 orders per week. This year, with just one more staff member the firm have delivered 4000 orders per week to hotels. When the previous owner left the business to his daughter she struggled to resolve the cash flow problems and the bank has threatened to withdraw the overdraft facility. Shares in the firm are now held between the previous 2 owners and daughter Marion.

A Stock control chart of potatoes for one week in summer is below:



(a) What is meant by an overdraft?

**[2 marks]**

[illegible]

(b) Calculate the productivity of Standor staff for this year

**[4 marks]**

[illegible]



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**2** (c) What is meant by contribution? **[2 marks]**

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(d) Explain what could have caused the stock problem between week 13 & 15. **[4 marks]**

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(e) Assess **two** implications of poor stock control of potatoes to Standor.

**[8 marks]**

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(f) Assess whether profit or cash flow is more important to the owners of Standor Ltd.

**[10 marks]**

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## Section C

ANSWER **ALL** QUESTIONS IN THIS SECTION

**Read Extract E before answering Question 3.**

**Write your answers in the spaces provided.**

### Extract E

#### **Supermarkets could stop hiring over-25s to avoid national living wage**

Supermarkets could close stores and try to avoid employing over-25s to cover the cost of implementing a new “national living wage”, the influential credit rating agency Moody’s has warned.

The new law introduced in summer 2015 entitles workers to a National Living Wage where workers over 25 will have their minimum wage gradually increased from its current £6.50 per hour to £9 per hour by 2020.

*(Source: [www.theguardian.com](http://www.theguardian.com))*

**3** Evaluate whether legislation inevitably damages the profitability of large supermarkets such as Morrisons and Tesco. **[20 marks]**

**[20 marks]**

[illegible]





