

Surname	Centre Number	Candidate Number
Other Names		2



GCE A LEVEL

1510U30-1



BUSINESS – A2 unit 3
Business Analysis and Strategy

THURSDAY, 7 JUNE 2018 – AFTERNOON

2 hours 15 minutes

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	14	
2.	18	
3.	16	
4.	8	
5.	8	
6.	16	
Total	80	

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

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 continuation 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.

Answer all the questions in the spaces provided.

1. The Secret Yurts

The Secret Yurts provides luxury camping accommodation, known as 'glamping', in mid-Wales.

The business has five yurts which are fully booked during the summer months. Each yurt has been superbly furnished, sleeping two people with handmade king-size beds. The yurts all have beautiful views of the Welsh mountains. Nearby is a separate building containing five private luxury wet-rooms, one for each yurt, and a fully equipped kitchen. Each yurt has a portable barbecue with supplies available on-site.

Three of the yurts have top of the range hot tubs which connect via bluetooth to phones so guests can create a play list to enjoy whilst they bathe. All guests have access to a sauna during their stay which can accommodate up to four people at one time. The price for a two-night stay in the yurts without hot tubs is £260. The yurts with private wood-fired hot tubs are priced at £320 for a two-night stay.

Owners of The Secret Yurts, Martyn and Cerys, are considering how best to maximise revenue in the long-term. Cerys thinks the best course of action would be to seek planning permission to build and furnish two new yurts, whilst Martyn thinks it would be better to purchase and plumb two new hot tubs to bring all the accommodation to the same standard.

However, neighbouring sheep farmers have complained many times about holiday makers trespassing on their land with dogs occasionally chasing their livestock. Additionally, the noise from late night parties has also been an issue.

Option 1: Building and furnishing two new yurts, initial cost £25 000.

Year	Estimated annual return
1	4 000
2	7 000
3	8 000
4	8 000
5	8 000

Option 2: Purchase and plumbing of two new hot tubs, initial cost £20 000.

Year	Estimated annual return
1	6 000
2	6 000
3	6 000
4	6 000
5	6 000

- (a) (i) Calculate the payback period for each of the two options in years and months. (Show your workings) [3]

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- (ii) Calculate the annual rate of return for each of the two options. (Show your workings) [3]

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2. The Woodland Experience Ltd

The Woodland Experience Ltd is an organisation which operates cafes and car parks in sites of outstanding natural beauty within the UK. Most of the business's assets are based in land such as forests or coastline. Revenue is generated through its car parks and cafes within each of its sites and most of its staff are engaged in monitoring the car parks, maintaining pathways, picking litter and operating the cafes.

In 2017 The Woodland Experience Ltd purchased more land in a site of outstanding natural beauty where changes to existing buildings or the natural environment are closely monitored by local authorities.

The following table is extracted from its balance sheets for September 2017 and 2016:

	2017 (£000)	2016 (£000)
Fixed (non-current) assets	2 510	2 010
Current assets		
Stock	30	27
Debtors	22	20
Cash	835	956
Total current assets	887	1 003
Current liabilities		
Creditors	62	52
Other current liabilities	669	550
Total current liabilities	731	602
Long term (non-current) liabilities	1 625	1 125
Net Assets	1 041	1 286
Shareholder's capital	1 041	1 286

	2017	2016
GPM	79.13%	80%
NPM	16.5%	15%
ROCE	4.89%	4.15%

(a) (i) Calculate the current ratio for 2017 and 2016. [3]

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(ii) Calculate the gearing rate for 2017 and 2016. [3]

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(iii) Calculate the percentage change in working capital between 2016 and 2017. [4]

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(b) Evaluate the financial impact on The Woodland Experience Ltd of purchasing the new land. [8]

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3. Fast Snacks PLC

In the boardroom of Fast Snacks PLC a meeting is being carried out to decide on the company's marketing strategy for the forthcoming year.

David, Marketing Director, thinks the best strategy is to launch a new range of ready meals to cater for a growing trend in insect based snack food. Although insects are often eaten as snacks in some Asian countries, the trend has not become popular in Europe.

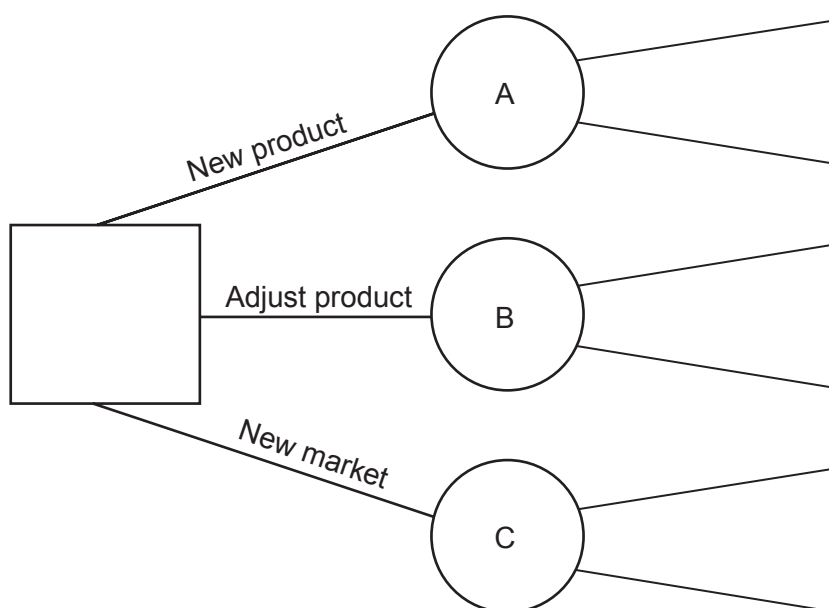
Katie, Production Director, knows the company has had difficulty establishing new snacks on the market and thinks it would be a safer option to simply update their current products.

James, Sales Manager, thinks it would be better to sell their existing products in other European markets. He considers most western Europeans to have the same eating habits and tastes as the UK.

Katie has brought the following information to the board meeting in order to help decide on a course of action.

Table 1: Summary of proposed strategies

	Cost (£000)	Probability of success	Estimated revenue (£000)	
			Success	Failure
New product	100	0.1	1 300	75
Adjust product	20	0.7	600	15
New market	40	0.4	840	45



- (a) (i) With the use of table 1, fully complete the decision tree diagram including the expected values of A, B and C. [6]

6. ChipsAway

ChipsAway is a market leading franchisor in the car body repair market, offering customers a convenient, quality and cost-effective alternative to repair paintwork scratches, bumper scuffs, minor dents and kerbed alloy damage to their vehicles. Latest research shows that this type of damage is found on over 64% of the 34 million vehicles on the UK's roads, and demand for the ChipsAway service is still growing.



Many franchisees wish to join ChipsAway to become their own boss whilst using a proven business model. The unrivalled support structure offered by ChipsAway could help operate the business successfully. In return, franchisees must invest a minimum of £15 000.

The business model is easily scalable and completely flexible to suit the ambitions of the franchisee. Most franchisees initially opt for a van-based franchise going out to customers. However, it is also possible for franchisees to buy packages which include multiple vans, fixed base workshops and packages which include exclusive territories to ensure no other ChipsAway franchisees can be set up within a certain distance of another – the opportunities are endless!

Source: <http://www.franchisedirect.co.uk/directory/chipsaway/286/>

- (a) Outline **two** requirements which may be expected of ChipsAway in return for the £15 000 payment. [4]

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- (b) Discuss the view that expanding a business through franchising is significantly more effective than other methods of growth. [12]

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