

Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

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Forename(s)

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Candidate signature

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I declare this is my own work.

# A-level BUSINESS

## Paper 2 Business 2

Time allowed: 2 hours

### 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.

### Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 100.

For Examiner's Use	
Question	Mark
1.1	
1.2	
1.3	
1.4	
1.5	
2.1	
2.2	
2.3	
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3.1	
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3.6	
<b>TOTAL</b>	



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

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**0 1**

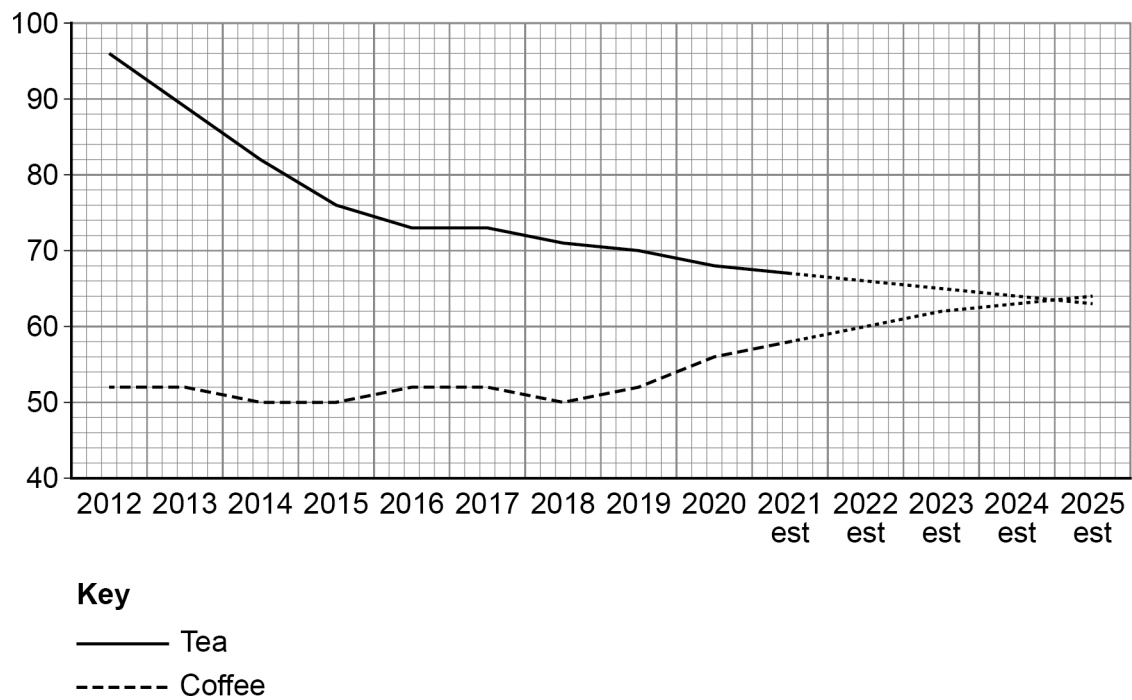
Read the information below and then answer the questions that follow.

### The UK tea market

Tea drinking in the UK is declining as younger customers choose alternatives such as coffee. Extrapolation of the annual sales suggests that coffee will outsell tea in the UK by 2025.

Within the overall tea market traditional black tea still dominates sales. However, a 'health tea' niche made up of fruit, herbal and green teas is growing. This niche has benefitted from its association with wellbeing.

#### Appendix A Annual sales volume of black tea and coffee (million kg), UK (actual sales 2012–2020; estimated sales 2021–2025)



**Appendix B UK tea brands 2019**

Rank	Brand	Annual Sales (£m)	% change	Type of tea in range
1	Twinings	108	+3.8	Black and health tea
2	PG Tips	99	-7.2	Mainly black, with small new health tea range
3	Taylors (including Yorkshire Tea)	98	+5.0	Black and health tea
4	Tetley	90	+0.4	Mainly black but some health tea
5	Pukka	23	+15.4	Organic and ethical black and health teas
	Other tea brands	144		

**Appendix C Price elasticity of demand data**

Type of tea	Price elasticity of demand
Black tea	-1.2
Health teas	-0.5

**Turn over for Appendix D****Turn over ►**

**Appendix D Selected data from recent market research survey**

How often do you drink black tea? (% of respondents)			
	Overall	Age 18–24	Age over 65
Several times a day	42	25	56
Once a day	15	16	16
2–3 times per week	10	14	5
Occasionally	12	17	7
Never	21	28	16

Do you drink health tea? (% of respondents)	
	Yes
Female	32
Male	19

How important is it that the tea you buy is ethically sourced, eg fair trade? (% of respondents)	
Important	62
Not very important	26
Not at all important	12

**0 1 . 1** What is meant by the term extrapolation?

**[2 marks]**

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0 1 . 2

Using **Appendix B**, calculate the combined market share of the top four tea brands in 2019.

[3 marks]

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0 1 . 3

Using the data in **Appendix D**, explain **one** benefit of the use of market segmentation to a business selling tea.

[4 marks]

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A business sells two types of tea: black tea and health tea.

**[9 marks]**

[illegible]

To what extent does the information provided suggest that now is a good time to launch a new brand of tea?

[illegible]

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0 2

Read the information below and then answer the questions that follow.

### Ocado venture with M&S

Marks & Spencer (M&S) started to sell its popular food range online for the first time in September 2020, by forming a venture (also known as a joint venture) with Ocado. Ocado is a solely online supermarket that has well-established distribution networks and market-leading advanced technology.

M&S funded its part of the £1.5bn venture by selling £600m of shares to existing shareholders and by cutting shareholder dividends by 40%.

M&S stated that it had always believed M&S branded food should be available online and combining with Ocado was a 'win-win' situation that would drive long-term growth of both businesses.

Following the announcement of the venture, Ocado's share price rose by 3%.

The launch of the venture followed over a year of hard work and required senior managers from both businesses to work together to make it happen.

0 2 . 1

What is meant by the term shareholder dividend?

[2 marks]

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0 2 . 2

Explain why the Ocado share price rose following the announcement of the venture.

[4 marks]

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0 2 . 3

With reference to Maslow's theory, analyse the possible impact of this venture on the motivation of senior managers of the two businesses.

[9 marks]

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**[16 marks]**

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0 3

Read the information below and then answer the questions that follow.

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### Disrupted supply

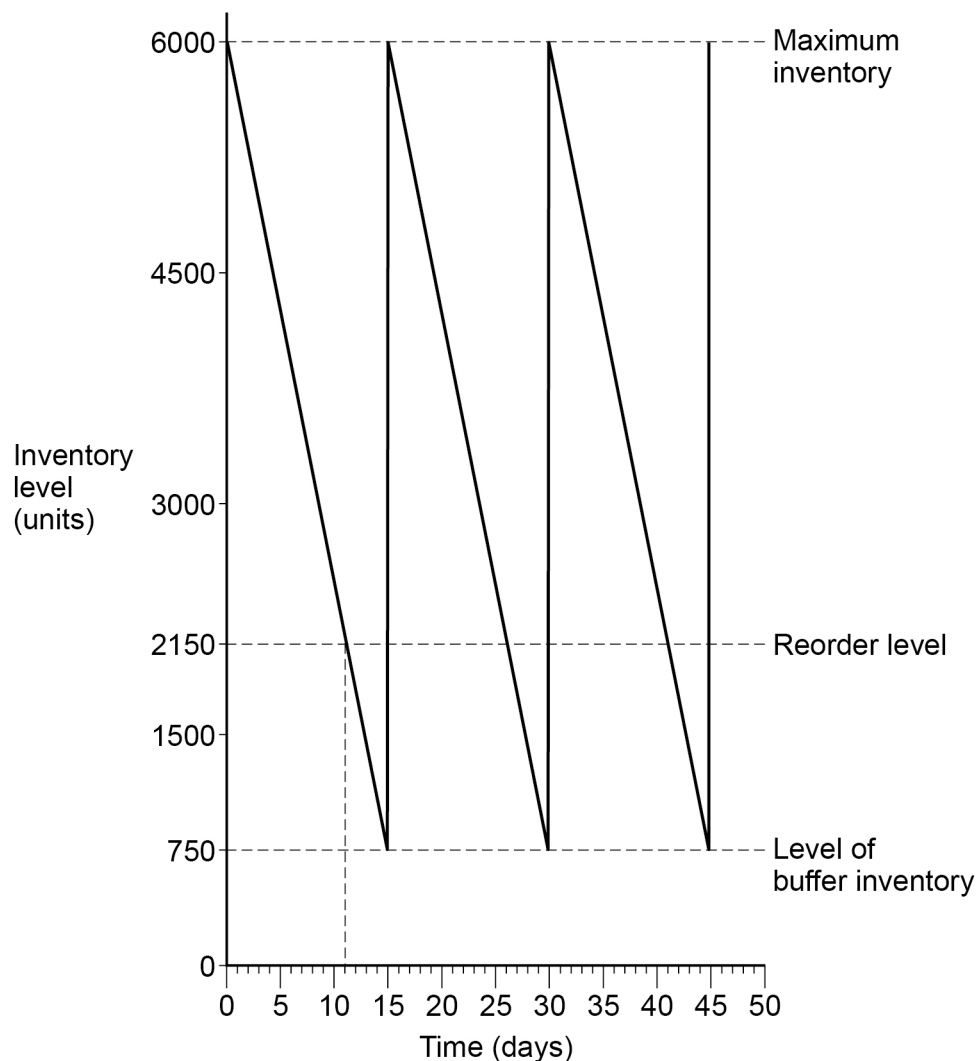
DT is a UK-based business manufacturing circuit boards which it sells to other businesses. All of DT's output is exported to Europe. The components that DT uses are sourced in the UK.

The supplier of a vital component closed suddenly in early 2020 disrupting DT's supply chain. DT's usual pattern of inventory control for this component is shown in **Figure 1**.

DT was forced to buy this component from a new and more expensive supplier.

DT stated: 'We had no contingency plan. It was impossible for us to find alternative supplies quickly enough to fulfil all our existing orders. The new supplies had higher levels of defects.'

**Figure 1 Inventory control chart showing DT's usual pattern before disruption**



0 3 . 1

With reference to **Figure 1**, calculate the lead time.**[2 marks]**


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0 3 . 2

With reference to **Figure 1**, calculate the re-order quantity.**[2 marks]**


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0 3 . 3

With reference to **Figure 1**, calculate how much inventory DT uses each day.**[2 marks]**


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0 3 . 4

Explain **one** impact of a fall in the value of the pound on DT's sales.**[4 marks]**


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Analyse how contingency planning might have helped DT maintain its competitiveness.

**[9 marks]**

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Reliability is the most important factor in a business' choice of supplier. To what extent is this true for **all** businesses?

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