

Please check the examination details below before entering your candidate information

Candidate surname		Other names	
Pearson Edexcel		Centre Number	Candidate Number
Level 3 GCE			
Time 2 hours	Paper reference	9BS0/02	
Business Advanced PAPER 2: Business activities, decisions and strategy			
You do not need any other materials.			Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- 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 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- You may use a calculator.

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.
- Good luck with your examination.

Turn over ►

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Answer ALL questions.

SECTION A

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

Write your answers in the spaces provided.

Extract A

The teenage entrepreneur who dropped out of university to make lip balm

While studying for her GCSEs in 2015, Rose Dyson entered a local business enterprise competition. She established 'Pura Cosmetics', based on her love of quality beauty products and her frustration with how expensive they were. Rose spotted a gap in the market for ethical cosmetics at affordable prices.

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Pura Cosmetics uses batch production to make its range of 12 lip balms and 10 lip scrubs in a variety of different flavours, such as raspberry and gingerbread. The business now has its own factory, shop and online store. It currently supplies 30 small retailers that only order small quantities. In the future Pura Cosmetics hopes to supply national chains, such as Boots. Pura Cosmetics currently give retailers one month's trade credit.

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Pura Cosmetics has won a range of business awards and Rose has received advice from successful entrepreneurs, such as Karen Brady (Vice Chairman of West Ham United FC, and BBC 'The Apprentice') and Deborah Meaden (venture capitalist from BBC 'Dragon's Den').

Since leaving college in 2018, Rose has worked full time for her business. Her objective is to rapidly expand Pura Cosmetics by increasing its output from the current level of 6,000 units per month to 15,000 and increase sales turnover by 300% in the next year.

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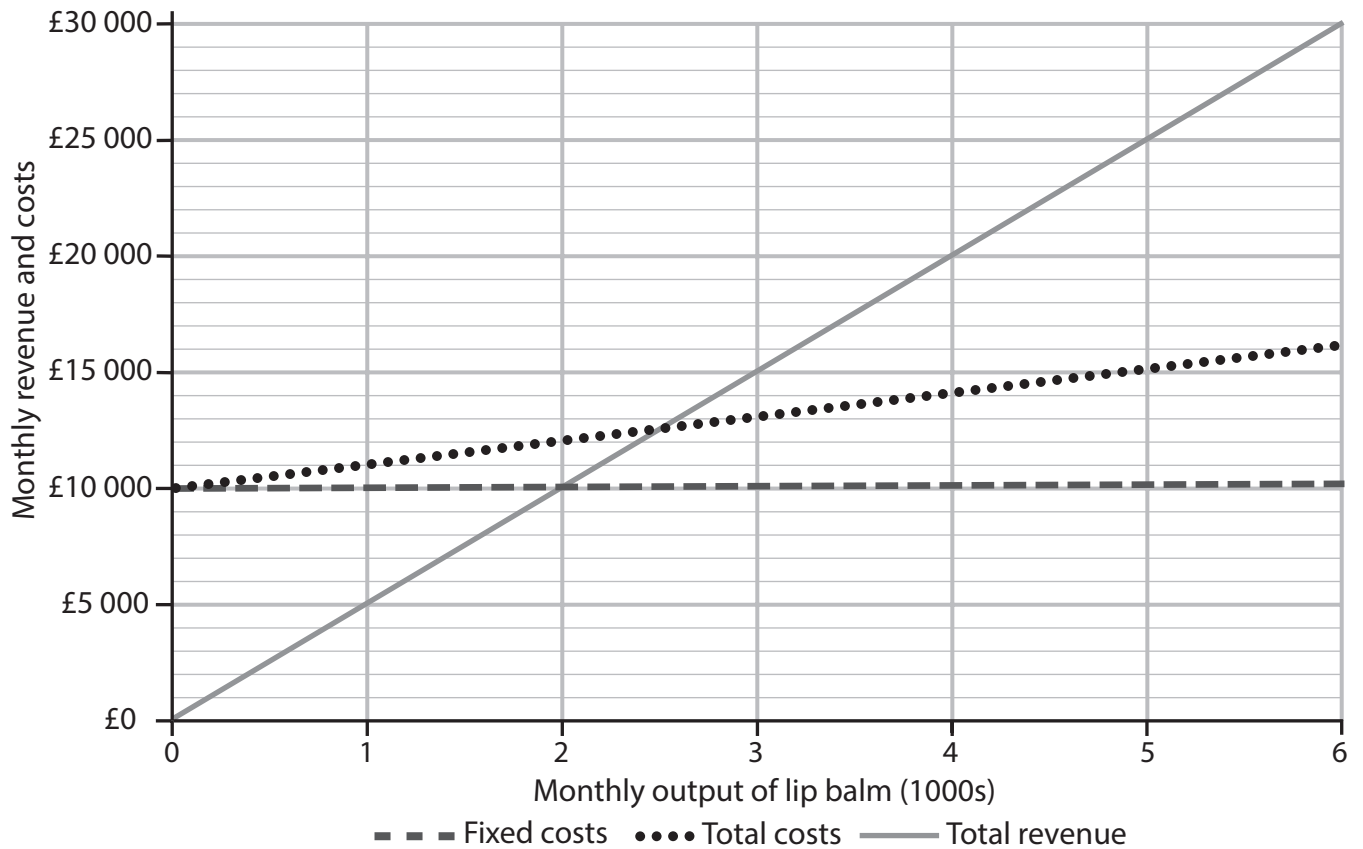
(Source: adapted from <https://startups.co.uk/young-entrepreneurs-rose-dyson/>)

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Extract B**Break-even chart for Pura Cosmetics**

(Source: adapted from information provided by Rose Dyson)



Extract C**Unilever extends its skin care brands with the takeover of Dermalogica**

Dermalogica is a brand of skin care cosmetics which uses natural ingredients, such as aloe vera, rather than artificial colours and fragrances. Currently sold in over 80 countries, Dermalogica will be included within Unilever's prestige brand division.

"Dermalogica enjoys an outstanding reputation and incredible awareness among skin care professionals and consumers alike, that complements our prestige offering," said Unilever Chief Executive, Paul Polman. "It is a company with great distribution and presence globally and shares our belief in the role of business as a force for good in society." The cost of the takeover is reported to be £500m.

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The move comes as Unilever, a multinational business that already owns health and beauty brands such as Dove, plans to drive growth. It aims to increase sales of personal care goods from its current amount of 37% to 66% of total worldwide sales. Dermalogica founder, Jane Wurwand, said that the Unilever takeover will enable the brand to expand globally. She added: "This takeover will provide Dermalogica with the resources to increase brand awareness and help us continue our legacy in supporting the next generation of professional skin therapists and women entrepreneurs worldwide."

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(Source: adapted from <https://www.marketingweek.com/unilever-extends-skin-care-brands-with-dermalogica-acquisition/>)

Extract D**Pura Cosmetics cash-flow forecast November 2021 to January 2022**

	November	December	January
	£	£	£
Cash inflows	31 500	31 500	63 000
Cash outflows	26 300	43 500	22 700
Net cash-flow	5 200	(12 000)	40 300
Opening balance	3 000	8 200	(3 800)
Closing balance	8 200	(3 800)	36 500

(Source: information provided by Rose Dyson)



- 1 (a) Explain **one** likely reason why Pura Cosmetics chooses to use batch production.

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(b) Using Extract B, calculate the contribution per unit of one lip balm. You are advised to show your working.

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- (c) Assess the value of venture capital as an external method of finance for Pura Cosmetics.

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(d) Assess the extent to which Unilever may benefit from its takeover of Dermalogica.

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Pura Cosmetics has set the objective of managing its cash-flow more effectively. To achieve this, it is considering two options; either to increase its overdraft facility or to reduce the credit period given to its retail customers.

- (e) Evaluate these **two** options and recommend which one Pura Cosmetics should choose in order to achieve the objective of managing its cash-flow more effectively.

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(Total for Question 1 = 50 marks)**TOTAL FOR SECTION A = 50 MARKS**

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SECTION B**Read the following extracts (E to H) before answering Question 2.****Write your answers in the spaces provided.****Extract E****Buy it Direct**

Buy it Direct is one of the largest online retailers in the UK. Established in 1999, it employs over 250 staff across three sites in Huddersfield, Barnsley and the East Midlands. The business is split into separate divisions, each of which is responsible for managing its own budget. The head of each division reports directly to Buy it Direct's Chief Executive.

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Buy it Direct was one of the first e-commerce businesses in the UK to sell computers and electronics and then moved into also selling kitchen appliances, televisions and furniture.

Buy it Direct offers competitive prices and high levels of customer service. For example, it has a customer call centre that provides product advice and offers additional services, such as arranging for the installation of new appliances. Buy it Direct aims to hold a wider range of stock than its competitors. It sells premium brands, such as Bosch and Zanussi, as well as lower priced 'own brand' products. A significant proportion of its products are imported from China.

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(Source: adapted from <https://www.laptopsdirect.co.uk/content/buyitdirect>)

Extract F

Buy it Direct's Chief Executive has set a target of 3 years payback for all investment projects including a new bathroom division with an estimated cost of £700 000.

Cash-flow data for Buy it Direct's proposed new bathroom division

Year	Net cash-flow, £000s
1	200
2	200
3	200
4	200

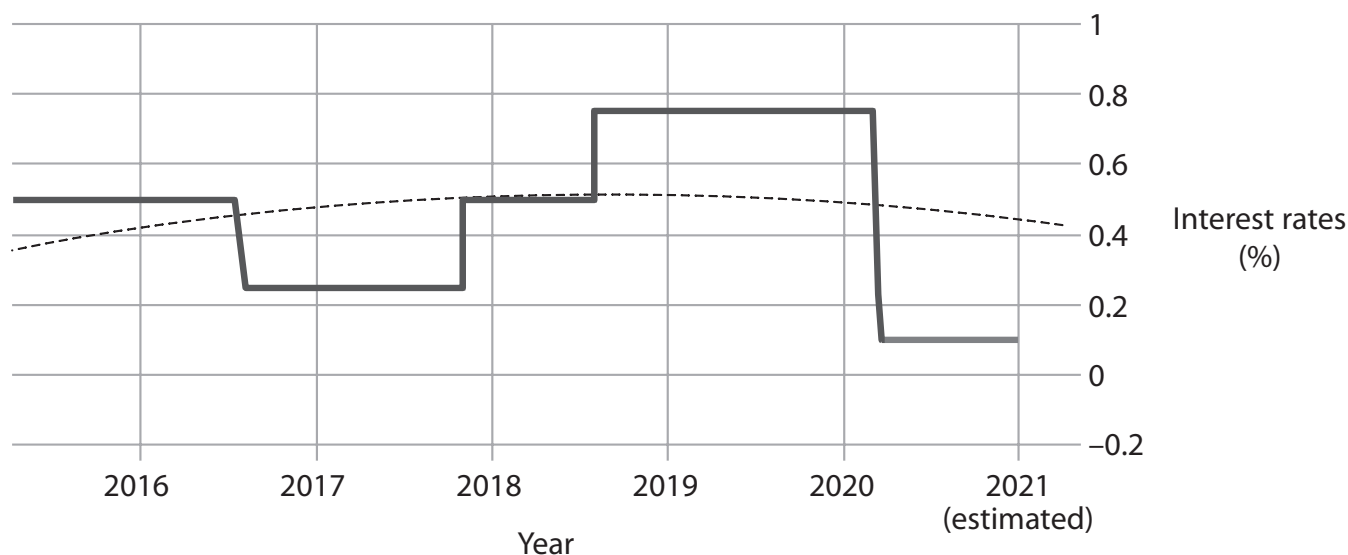
(Source: figures provided by Nick Glynne, Chief Executive of Buy it Direct)

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Extract G**UK interest rates 2016–2021 (estimated forecast for 2021)**

(Source: adapted from <https://tradingeconomics.com/united-kingdom/interest-rate>)

Extract H**The UK electrical household appliance sector**

It's been a challenging year for the sales of major domestic appliances, such as washing machines and televisions. The market has been growing at just 0.5% as a result of a slowing housing market and wavering consumer confidence. Most major domestic appliance purchases are triggered by replacing a broken or faulty appliance and this part of the market has remained unchanged. When buying household appliances, price and speed of delivery are key factors for consumers.

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High rates of innovation in the sector and introduction of smart technologies are helping to tempt some consumers to trade up. However, only a small proportion of consumers are willing to pay a higher price for the latest innovations. Meanwhile, research shows that style and design, combined with either price or quality, are the key to deciding which brand of major domestic appliance to buy.

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(Source: adapted from https://www.retailerconomics.co.uk/retail-sector-electricals_market)



- 2 (a) Explain **one** reason why the head of each division of Buy it Direct is responsible for managing its own budget.

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The Chief Executive has calculated the new bathroom project will not meet its payback target of three years.

- (b) Using the data in Extract F, calculate the difference in the payback period compared to the Chief Executive's target. You are advised to show your working.

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- (c) Using the data in Extract G and your own business knowledge, assess the likely effects of the changes in interest rates between 2019 and 2021 on Buy it Direct.

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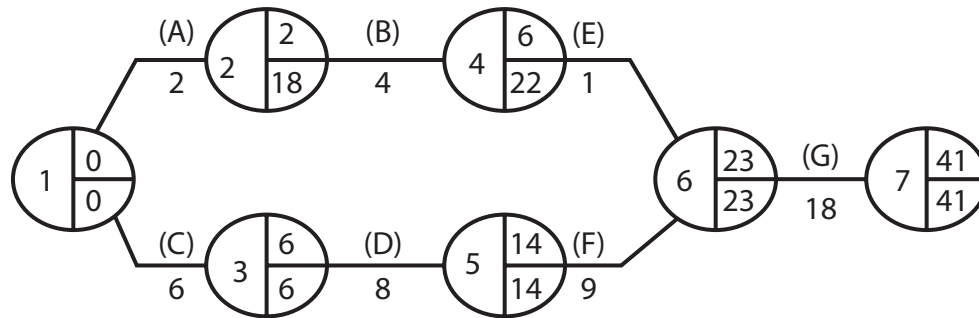
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Buy it Direct's new Operations Director is in charge of installing a new IT system for the warehouses. This project must be completed within 45 weeks. The Operations Director has produced the following network diagram:



Activity A: Identify problem

Activity B: Consult with software supplier

Activity C: Recruit staff

Activity D: Staff training

Activity E: Discuss IT solution

Activity F: Order equipment from suppliers

Activity G: Implementation and testing

- (d) Assess the likely value of Critical Path Analysis (CPA) for the effective management of the installation of the new IT system.

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Buy it Direct has set the objective of increasing its sales revenue. It is considering two options, either to adopt a strategy of market penetration in the UK Electrical Household Appliance market or diversification.

- (e) Evaluate these **two** options and recommend which one is most likely to achieve Buy it Direct's objective of increasing its sales revenue.

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(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS
TOTAL FOR PAPER = 100 MARKS

