

Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

I declare this is my own work.

INTERNATIONAL GCSE BUSINESS

Paper 2 Influences of Marketing and Finance on Business Activity

Thursday 5 November 2020 07:00 GMT

Time allowed: 2 hours

Materials

For this paper you must have:

- a calculator, which you are expected to use where appropriate.

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of the 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).
- All working must be shown.
- Do all rough work in this 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 90.

Advice

You may use a bilingual dictionary.

For Examiner's Use

Question	Mark
1–9	
10	
11	
TOTAL	



N 0 V 2 0 9 2 2 5 2 0 1

Section A

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

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

For each 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

Which **one** of the following is the main purpose of business activity?

[1 mark]

A Allowing entrepreneurs to set up new businesses

☐

B Enabling businesses to use raw materials to make goods

☐

C Providing consumers with greater choice

☐

D Satisfying needs and wants

☐

0 2

Which **one** of the following is an example of a business operating in the tertiary sector?

[1 mark]

A Car manufacturer

☐

B Men's hairdresser

☐

C Oil producer

☐

D Potato farmer

☐


0 3Which **one** of the following might cause a business to fail?**[1 mark]****A** A business increases its advertising budget☐**B** Being the sole manufacturer of a product☐**C** Changes in consumer tastes and preferences☐**D** Good business management☐**0 4**

Below is an extract from the Income Statement (Profit and Loss Account) of a small business for the year ended 31 August 2019.

Revenue(sales)		\$325,000
Cost of sales		\$85,000
Expenses	Wages	\$28,000
	Rent	\$16,000

The gross profit for the business is:

[1 mark]**A** \$196,000☐**B** \$212,000☐**C** \$240,000☐**D** \$281,000☐**0 5**Which **one** of the following stakeholders would have an objective to maximise profits?**[1 mark]****A** Community pressure groups☐**B** Customers☐**C** Owners of a business☐**D** Trade unions☐**Turn over for the next question****Turn over ►**

0 6

Explain what is meant by 'fixed costs'.

[2 marks]

0 7Identify and explain **one** stage of the product life cycle.**[2 marks]**

0 8Identify and explain **two** factors that a new manufacturing business might need to consider when deciding where to locate.**[4 marks]**

Factor 1

Factor 2

0 9

Explain what is meant by 'market segmentation'.

[2 marks]

15

Turn over for the next question

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ANSWER IN THE SPACES PROVIDED**

Turn over ►



Section B

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

1	0
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Item A

Barbato is an Italian company that has coffee shops in over 10,000 locations worldwide. It sells a range of products including specialist coffees and teas, as well as sandwiches and cakes.

Barbato was founded by Salv Barbato who, as a deaf man, had struggled to find employment. Following the success of the business, Barbato has decided to give 25% of its net profit to charities for the deaf.

The company introduced free Wi-Fi to customers to encourage customers to work on their laptops so that they could still carry on with their work while relaxing with a cup of coffee. This has been a huge success. Barbato appeals to customers of all ages.

1	0	.	1
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Identify and explain **two** possible benefits to Barbato of providing free Wi-Fi to its customers.

[4 marks]

Benefit 1 _____

Benefit 2 _____



1	0	.	2
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Identify and explain **two** possible effects on the business of giving 25% of its net profits to charities for the deaf.

[6 marks]

Effect 1

Effect 2

Question 10 continues on the next page

Turn over ►



Item B

Barbato is now one of the largest and most popular coffee brands in the world. Every coffee shop has the same menu. The menu has a limited number of items. Barbato does this so that customers are not confused by choice and will stay loyal to the brand.

The strong brand allows it to charge high prices for their products. As the menu is the same in every coffee shop, Barbato buys products in bulk, which enables it to keep costs low and maximise profits.

Barbato's limited menu means that competitors are starting to gain a greater market share. Barbato is also facing growing competition as demand for healthy food has increased.

1	0	3
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Identify and explain **two** ways in which Barbato might be affected by an increased demand for healthy food.

[6 marks]

1 _____

2 _____



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ANSWER IN THE SPACES PROVIDED**

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Item C

Barbato uses a pricing strategy which involves setting the prices of its products higher than its competitors. Barbato does this so it can boost profits because customers are happy to pay more because of the Barbato brand.

Table 1**Barbato Yearly Revenue (Millions of €)**

2017	€16,300
2018	€17,600
2019	€17,900
2020	

Barbato's yearly revenue is expected to grow by 5% in 2020.

1	0	.	4
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Calculate the expected value of Barbato's yearly revenue in 2020.

[2 marks]



Analyse the possible effects on Barbato of continuing to charge high prices for its products.

[illegible]

Turn over ►



Barbato is still a major company in the coffee shop market with a 21% market share and profits are still high. However, growing competition means that it will need to close some of its stores. Barbato will close 150 stores in 2020.

[12 marks]

[illegible]

[illegible]

Turn over ►



Section C

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

1	1
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Item E

Solar Energy Limited (SEL) is a small company based in the UAE. The company makes, sells and installs high quality solar panels to businesses as well as providing design advice. SEL was established in 2014 by Hammad and her brother Mansour. SEL received a small amount of government funding to help it get started because of the company's aim of promoting the use of clean energy.

The table below shows information about SEL's cash flow. Figures are in Arab Emirates Dirham (AED).

Table 2

	2018 (AED)	2019 (AED)	2020 forecast (AED)
Income			
Sales of solar panels	210,000	400,000	665,000
Design fees	60,000	104,000	120,000
Total inflows	270,000	504,000	785,000
Expenses			
Materials	230,000	339,000	400,000
Salaries	52,000	52,000	52,000
Advertising	10,000	15,000	20,000
Total outflows	292,000	406,000	
Net cash flow	(22,000)	98,000	
Opening balance	(21,000)	(43,000)	55,000
Closing balance	(43,000)	55,000	

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Calculate SEL's forecast closing balance for 2020.

[3 marks]



1 1 . 2

Identify and explain **two** possible effects resulting from SEL's advertising spending shown in **Table 2**.

[4 marks]

1

2

1 1 . 3

Analyse the benefits to SEL of selling a high-quality product.

[6 marks]

Turn over ►

SEL designs and installs solar panels that will fit on rooftops to generate electricity. SEL only receives payment for the work once the installation has been completed.

SEL is considering expanding the factory and buying a high-powered specialist machine. This will significantly increase the output and quality of the solar panels. Installations take an average of 12 weeks to complete. The new machine will cut installation time to 4 weeks.

Analyse the possible benefits to SEL of buying the specialist machine.

[6 marks]

[illegible]

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Item G

The growing demand from businesses to switch to solar power resulted in SEL increasing its market share across the UAE.

Following SEL's success, Hammad believes that SEL could be successful in providing high quality solar panels for people's homes. This would need a further large investment of 8,000,000 AED. Hammad intends to use external finance to fund this plan.

Table 3 shows an extract from the statement of financial position for SEL at 31 December 2019.

Table 3

	AED
Net current assets	1,500,000
Non-current liabilities	10,000,000
Owners' equity	2,500,000



[2 marks]

[6 marks]

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Hammad believes that the current performance of SEL will enable it to afford the development as it will be able to borrow the 8,000,000 AED needed to expand the business to provide solar panel systems for people's homes.

Mansour believes that it is more important to focus on maximising profits by continuing to specialise in providing solar systems for businesses. Borrowing such a large amount of money would reduce profits and could put the company at risk.

Hammad is keen to expand into the growing residential solar panel home market. Mansour believes that they should continue to specialise in providing solar systems for businesses.

- should expand into the residential home market

- continue to specialise in providing solar systems for businesses.

[12 marks]

[illegible]

[illegible]

39



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