
INTERNATIONAL AS & A-Level BUSINESS STUDIES

9725

Unit 4 Business strategy

Specimen paper

X am UK Time

Time allowed: 1 hour 45 minutes

Materials

You will need no other materials.

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 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 80.

Section A

Answer all questions in the spaces provided.

0	1
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RHA Ltd

RHA is a Swedish business specialising in manufacturing robotic home appliances such as vacuum cleaners and lawn mowers. RHA aims to produce a broad range of products which are affordable. Profit margins are small, but sales volume is high; however, there is a concern that customers are seeking higher quality products with unique features.

RHA operates all over the world. As the global market becomes more competitive, the owners of RHA believe that a change of strategic positioning may be necessary. They believe that profit margins can be maximised if it focuses on innovation and the production of high-quality products, using the best technology. Currently, the business isn't very innovative and would need to consider how best to encourage this. It would also require investment in a new machine. The finance director has produced a table containing estimated net cash flows for this investment.

Table 1

Estimated net cash flows for RHA's new machine (000's Swedish krona)

Year 0	(77 000)
Year 1	14 000
Year 2	27 000
Year 3	28 000
Year 4	24 000
Year 5	23 000

The operations director believes a better way to improve profitability is through a strategy of backwards, vertical integration. It is considering the purchase of a supplier of batteries.

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Using the data in **Table 1**, calculate the payback period for RHA's proposed new machine.

[4 marks]

0	1	.	2
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Explain **one** factor influencing the investment decision for RHA.

[4 marks]

Question 1 continues on the next page

0	1	.	3
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Analyse **two** benefits for RHA of vertical integration.

[8 marks]

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Assess the arguments for and against and make a judgement.

[illegible]

0 1 . 5

RHA needs to become more innovative. The HR director has suggested introducing intrapreneurship.

Is this the best way for RHA to become innovative?

Assess the arguments for and against and make a judgement.

[12 marks]

[illegible]

Turn over for the next section

Section B

Answer all questions in this section.

0	2
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AloeSkin Plc

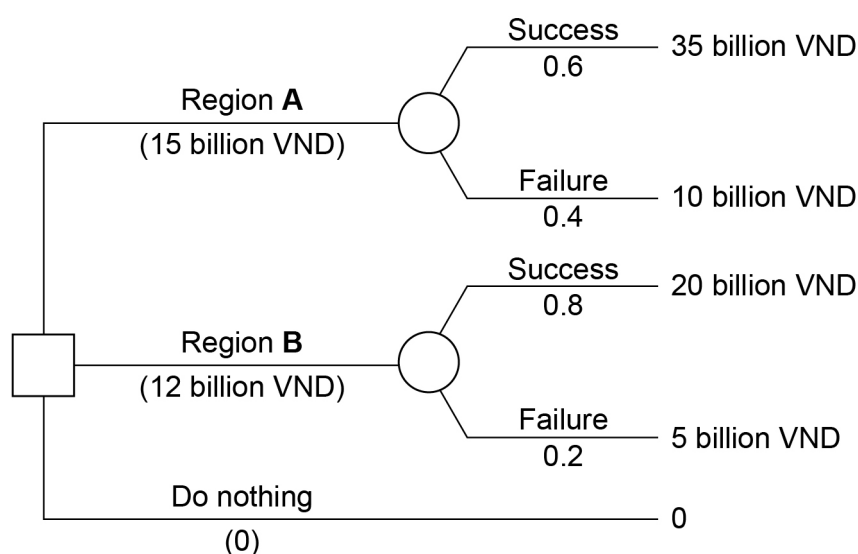
AloeSkin is a skincare business based in Vietnam and selling exclusively in Southeast Asia. It offers high quality, natural products for young consumers. It was founded by three university graduates aiming to create chemical-free skincare using local ingredients like green tea and coconut oil. The brand gained popularity through social media campaigns promoting natural skincare routines. Its commitment to sustainability and 100% natural ingredients has gained it a competitive advantage over other competitors.

The skincare market in Southeast Asia is becoming increasingly saturated. Global businesses are launching affordable, eco-friendly products in the region. These businesses have more established supply chains and larger advertising budgets, making it harder for AloeSkin to compete. The directors are considering outsourcing production to lower cost producers to remain competitive. Employees are concerned about the impact this could have on their jobs and have shown some resistance to the change. Management have decided to use Kotter and Schlesinger's model to help overcome this resistance but can't agree on the best method to use.

The directors are also considering entering other regions across the world. They are undecided on the best way to enter these markets. They are considering either exporting or licencing to small businesses in Europe. Two regions in Europe have been identified as potential selling locations. A decision tree has been constructed to help the directors decide on which region would be best (see **Figure 1**).

Figure 1

Decision Tree for AloeSkin (which regions of Europe to enter, VND Vietnamese Dong)



0 2 . 1

Using **Figure 1**, calculate the net gain for Aloeskin if it sells in Region **B**.

[4 marks]

0 2 . 2

The net gain for selling in Region **A** (10bn VND) is higher than the net gain for selling in Region **B**.

Using the data in **Figure 1**, explain one reason why AloeSkin may still choose to sell in Region **B**.

[4 marks]

[8 marks]

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Assess the arguments for and against and make a judgement.

[12 marks]

[illegible]

0	2	5
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AloeSkin is thinking about entering European markets by either exporting its products or licensing to small businesses.

Is exporting likely to be a better strategy than licensing for AloeSkin?

Assess the arguments for and against and make a judgement.

[12 marks]

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