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Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

I declare this is my own work.

A-level BUSINESS

Paper 2 Business 2

Tuesday 21 May 2024

Morning

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	
2.1	
2.2	
2.3	
3.1	
3.2	
3.3	
TOTAL	



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

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

Biggs Ltd

Biggs Ltd operates in the snack food market, selling crisps, nuts and other savoury products. Potatoes are a key ingredient in its snacks. The price of potatoes has risen by 35% over the last two years.

The company is one of six firms who dominate a market that has been growing strongly for ten years. The market growth is largely due to the development of new snacks designed for children. However, Biggs Ltd's market share has been falling since 2019.

Biggs Ltd plans to launch a completely new range of products in 2024. It will promote this by sponsoring a major televised sporting competition which has children and families as its audience.

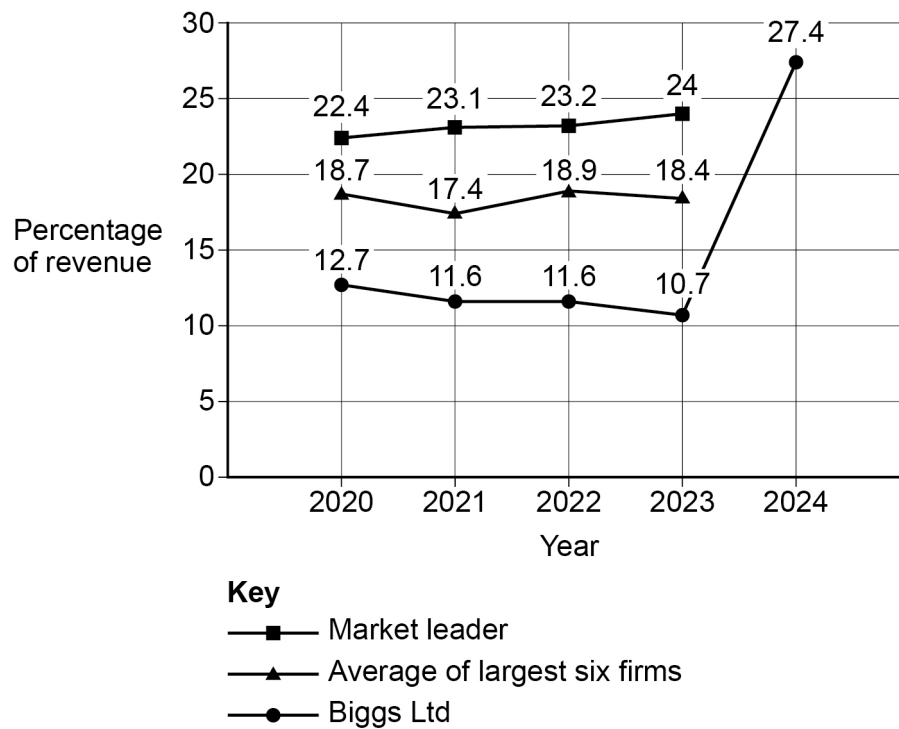
Appendix A Extract from Biggs Ltd's recent financial statements

	2023 £000s	2022 £000s
Revenue	47 569	46 994
Gross profit	22 289	22 820
Operating profit	4 650	4 701
Payables	5 056	5 221

Appendix B Labour productivity for Biggs Ltd and the snack food industry average (shown as an index number, base year = 2017)

Year	Biggs Ltd	Industry average
2020	104.2	104.3
2023	100.3	105.9



Appendix C Marketing expenditure as a percentage of revenue, 2020–2024*

* 2024 based on Biggs Ltd's forecast.

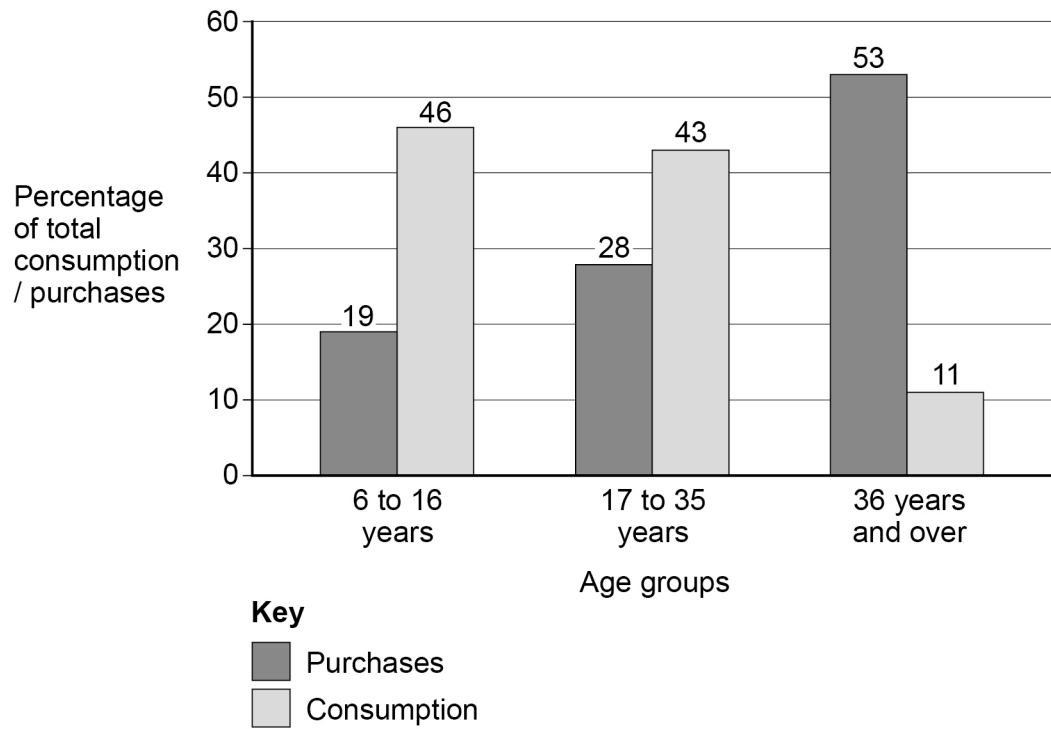
Appendix D Results of market research conducted with families on Biggs Ltd's new product range and the promotional campaign

Survey question	Average survey score by age group		
	6 to 16 years	17 to 35 years	36 years and over
I will definitely try the new products when they are available.	9.9	7.2	1.8
The promotional campaign improves my view of Biggs Ltd's brand.	8.3	6.3	8.0
I frequently consume snack foods at sports events.	8.9	6.9	2.7
Scale: 10 = strongly agree, 5 = neither agree nor disagree, 0 = strongly disagree			

Source: Data from 27 interviews with families, conducted by Biggs Ltd in 2021.

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Appendix E Percentage of snack products bought and consumed by different age groups

Results from a recent survey of 3000 respondents conducted by an independent market research firm.



0 1 . 1

Using **Appendix A**, calculate Biggs Ltd's payables days ratio for 2023.**[4 marks]**

4

0 1 . 2

Using the information provided, explain **one** reason why Biggs Ltd's gross profit margin for 2023 fell to 46.9%.**[3 marks]**

3
Question 1 continues on the next page**Turn over ►**

Analyse how the changes in Biggs Ltd's labour productivity, shown in **Appendix B**, may cause its market share to fall.

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In 2024, Biggs Ltd became the sponsor of a major televised sporting competition that attracts a wide range of ages and is popular with families.

[16 marks]

[illegible]

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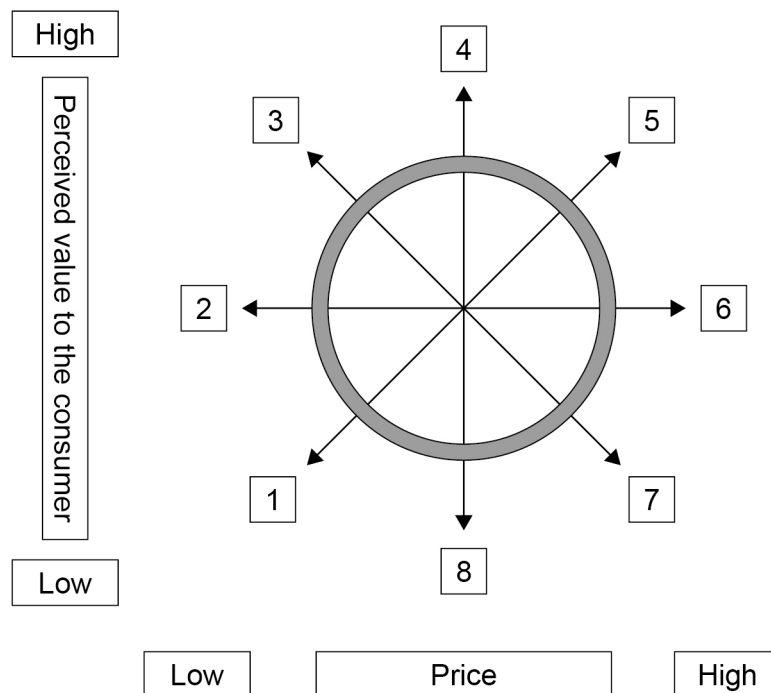
Read the information below and then answer the questions that follow.

Soundcheck plc

Soundcheck plc offers a streaming service enabling users in more than 160 countries to play a variety of content, such as music and podcasts, on electronic devices. The company initially offered its services free to consumers and earned revenue from advertisers. An additional, paid service was introduced in 2022. Paying subscribers benefit from better quality audio, no adverts, and playlists made by celebrities. Exclusive podcast content also provides paying subscribers with an enhanced experience which justifies a paid subscription model.

Since its launch in 2006, Soundcheck plc has grown to become the market leader. It now employs nearly 4000 staff globally. A stock market flotation has funded huge investment in building a high-quality technology platform, strong brand and a skilled workforce. However, Soundcheck plc has not regularly made an operating profit. Its costs have been rising significantly in recent years and in 2023 it lost £26 million as a global economic slowdown began.

In 2023, Soundcheck plc reached an agreement with trade unions about pay rates and ways of working. The agreement guaranteed starting salaries of at least £36 000 to many staff. This is significantly higher than the industry average. However, there is a global shortage of skilled software engineers and marketing staff so labour turnover rates remain high. In addition to competition for staff, new competitors are attracted to the growing market, including large rivals who are well established in other streaming markets. Other new entrants have also targeted the 'free' sector of the market. Some of these rivals have a competitive advantage because they own the rights to music or other content and so have lower costs than Soundcheck plc.



When introducing its paid service, Soundcheck plc changed its positioning strategy from position 1 to position 4 on Bowman's strategic clock.

[9 marks]

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[9 marks]

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9



Soundcheck plc's management has had good relationships with trade unions and its staff have been supportive of strategic change.

[16 marks]

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

WWH Ltd

WWH Ltd manufactures and sells a single model of wood-burning stove. Rising energy prices mean that gas and electric heating is expensive to run. Wood-burning stoves are a cheaper and increasingly popular alternative source of heating in homes. This has led to an increase in demand for WWH Ltd's wood-burning stoves. WWH Ltd is profitable and owns its buildings.

WWH Ltd uses demand forecasts to estimate how many wood-burning stoves to make. Once manufactured, the stoves are stored in WWH Ltd's warehouse until they are needed. When a customer places an order, they pay a 25% deposit and the remaining 75% when the stove is fitted in the customer's home. The production department has been able to increase manufacturing to keep up with the growing demand. However, lead time for fitting by WWH Ltd's expert fitters has been increasing and is currently two months.

Looking to the future, WWH Ltd's directors are concerned. The government has introduced legislation to set environmental standards for wood-burning stoves. News media continue to run stories that the sale of wood-burning stoves may be banned completely in the future. This uncertainty means that banks are not willing to lend WWH Ltd any more money.

Up until now, WWH Ltd's directors have seen the focus on a single product as a strength which has allowed them to keep a simple organisational design:

- no need for research and development and new product development
- functional structure with department responsibilities unchanged since the business set up
- relatively flat structure which helps to keep costs under control.

Now, the directors want to grow the business and are considering recruiting more staff and developing a portfolio of new products. Developing newer models of wood-burning stoves may enable WWH Ltd to keep ahead of ever-increasing government environmental standards. Alternatively, developing unrelated products could reduce dependence on a market with increasing government regulation.



[9 marks]

[illegible]

9

WWH Ltd's directors are considering making and selling a portfolio of products rather than a single product, in order to increase growth.

[9 marks]

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[16 marks]

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