

# A-level Business 7132/2

Paper 2 Business 2

Specimen 2014

Morning

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 bottom 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.
- Do all rough work in this answer book. Cross through any work that you do not want to be marked.

**Information**

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

Please write clearly, in block capitals, to allow character computer recognition.

Centre number

Candidate number

Surname

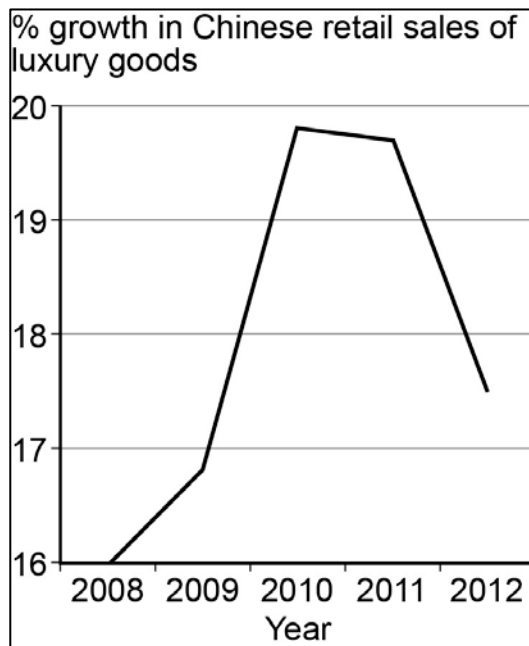
Forename(s)

Candidate signature \_\_\_\_\_

Answer **all** question(s) in the spaces provided.

### Internationalisation and China

**Figure 1** % annual growth in Chinese retail sales of luxury goods

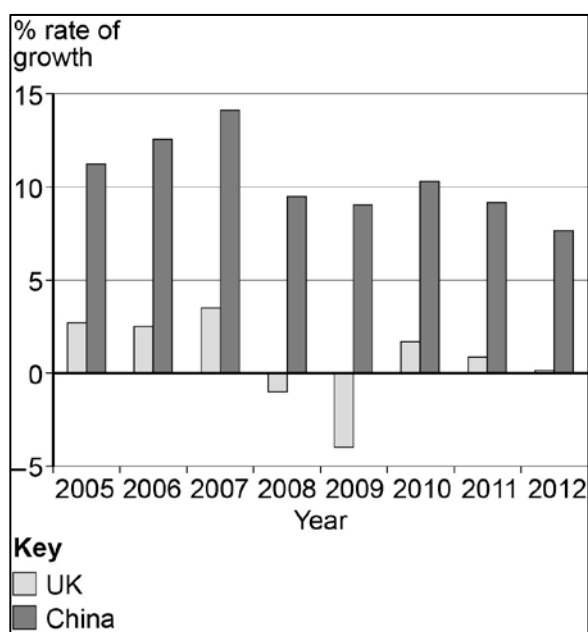


Source: The Financial Times

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**Figure 2** GDP growth % for UK and China 2005–2012



**Table 1**

	2009	2010	2011	2012
UK exports to China (£ sterling bn)	5.13	7.22	8.77	9.89
China exports to UK (£ sterling bn)	22.87	28.23	30.16	30.02
CNY: £ (Chinese Yuan Renminbi : pounds) as at 6 June	10.80	10.54	10.06	9.84

**Table 2** 2013 data

Out of 177 countries China ranked:

96th in terms of how easy it is to do business there (based on eg regulations, administrative procedures, infrastructure)

80th in terms of perceived level of corruption (UK 15th)

85th in terms of size of average income per person (£5899 in China v £23 323 in UK)

**Table 3** Forecasts for China 2013–2016

Average GDP growth per year	7.0%
Change in value of CNY: £ over the period	5.0%
Population size	down from 1.34bn to 1.33bn

**0 1** . **1** Describe the trend in sales of luxury goods in China as shown by the data in **Figure 1**.  
**[3 marks]**

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**0 1** . **2** Using the information in **Table 1**, calculate the price paid in pounds for a shirt that has a price of 250 CNY (Chinese Yuan Renminbi) purchased on 6 June 2012 from a Chinese manufacturer. Show your workings.

**[3 marks]**

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**0 1 . 3** Using the data in **Figures 1** and **2** and **Table 1**, analyse why UK exports to China may have increased between 2009 and 2012.

**[9 marks]**

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Do you think that China is a good market to target for UK exporters who are aiming to grow rapidly? Justify your answer.

[20 marks]

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**Morgan Motor Company: Looking to the future**

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

Morgan Motor Company Ltd is a family-owned business that designs and builds cars in the UK. It operates in the niche sports car market and was established in 1912. Last year Morgan produced around 1300 cars, and employed around 180 highly skilled staff, many of whom have been with the business for over 15 years.

The company prides itself on the craftsmanship and the attention to detail in its manufacturing process. Despite their high prices the cars are so popular that customers placing an order may have to wait up to 12 months for delivery of a Morgan.

Morgan is investing heavily in research and development. It is developing new cars (both electric and hybrid-powered vehicles) and is also finding new ways to build its cars. It is working with suppliers and universities to find ways to build cars using magnesium (a relatively cheap and abundant resource) to develop lighter vehicles with better fuel efficiency.

The current Managing Director, Steve Morris, had worked his way up within the company, from production line apprentice to his previous position as Operations Director.

Sources: [www.maximisepotential.co.uk](http://www.maximisepotential.co.uk) and Morgan Motor Company Ltd

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Explain the factors that might influence the price at which Morgan sells its cars.

**[6 marks]**


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Analyse the possible influences on the level of investment in research and development at Morgan.

[9 marks]

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**0 2** . **3** The Managing Director of Morgan aims to make the business even more innovative. Do you think that for a business to become more innovative a consultative management style is inevitable? Justify your answer.

**[16 marks]**

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**Fashion Bricks versus Chic Clicks**

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

ASOS is a highly successful online fashion retailer, founded in 2000. Unlike one of its main competitors, Debenhams, which was founded in 1778, ASOS does not have any high street stores. In 2013, 72% of UK adults made a purchase online and 83% of UK households had Internet access.

Debenhams has been slow to adapt the place element of its marketing mix to include e-commerce. It was late to develop a website and introduced options such as 'click and collect' after several of its competitors. This failure to move quickly has meant it has lost sales to its rivals.

However, Debenhams is now fully committed to e-commerce alongside retail outlets. It regards its high street presence as offering a major competitive advantage over purely online rivals such as ASOS; for example, it offers customers the opportunity to browse in-store before going home to order online or ordering via a mobile phone. Meanwhile, the opportunity to collect from the store provides a service that many customers like. In 2013, 25% of online orders were collected from high street branches of Debenhams. Debenhams is finally becoming a multi-channel retailer.

**Table 4** Comparison of ASOS and Debenhams

	<b>ASOS</b>	<b>Debenhams</b>
Product range	male and female fashionwear	womenswear, menswear, childrenswear, lingerie, accessories, health and beauty, home and furniture, sports and leisure
Sales (2013)	£769 million; 100% online	£2.3 billion; 16% online
Website visits per month (2013)	23.2 million	20.1 million
Gross profit (2012)	£252 million	£302.3 million
Market capitalisation as at 25/10/2013	£4.4 billion	£1.4 billion
Online presence	Operates in English, French, German, Italian, Spanish and Russian and accepts payment in 15 currencies. 64% of sales from outside UK	Available online in 70 countries
High street stores	0	240 stores in 28 countries

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Analyse why Debenhams may have been slow to adapt to change in the online environment.

**[9 marks]**

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**END OF QUESTIONS**

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Figure 1: The Financial Times  
Extract in Question 2: Information reproduced with the permission of the Morgan Motor Company Ltd  
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