

Write your name here

Surname

Other names

**Pearson Edexcel**  
**International**  
**Advanced Level**

Centre Number

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Candidate Number

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# Business Studies

**International Advanced Subsidiary**

**Unit 2: Business Structures and Processes**

Tuesday 24 May 2016 – Afternoon

**Time: 1 hour 30 minutes**

Paper Reference

**WBS02/01**

**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 in Section A and Section B.
- Answer the questions in the spaces provided – *there may be more space than you need.*

## Information

- The total mark for this paper is 80.
- 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 should take care in your responses with your punctuation and grammar, as well as the clarity of expression.
- Calculators may be used.

## Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.
- Try to answer every question.

Turn over ►

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**PEARSON**

**SECTION A**

**Answer ALL questions in this section.**

**Write the letter of your chosen answer in the box and then explain your choice in the space provided.**

**You should spend 30 minutes on this section. Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.**

- 1 (a) *Starbucks Coffee* has over 16,000 stores and operates in more than 54 countries. *Starbucks Coffee* is organised using a matrix structure.

Which is an advantage of using a matrix structure for *Starbucks Coffee*?

(1)

- A Direct chain of command
- B Easier to coordinate employees
- C Efficient use of resources
- D Cost effective to organise

Answer

- (b) Explain why this answer is correct.

(3)

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2 (a) In May 2014, *AirAsia* reduced the price of its flights from Bangalore to Goa by 25%. This led to a 50% increase in sales.

Calculate the price elasticity of demand for *AirAsia's* flights.

(1)

- A -0.25
- B -0.5
- C -1.0
- D -2.0

Answer

(b) Explain why this answer is correct. (Show your working).

(3)

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(Total for Question 2 = 4 marks)



3 (a) CPW Furniture, a business specialising in the supply of pine furniture, went into liquidation in May 2014.

Which **one** of the following is the **most likely** cause of its decision to stop trading?

(1)

- A Increase in turnover
- B Decrease in cash flow
- C Increase in supplier credit
- D Decrease in labour costs

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 3 = 4 marks)



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4 (a) Employees at 3M are allowed to spend up to 15% of their time working on creative ideas they are interested in developing.

According to motivational theorists, this is an example of

(1)

- A piecework
- B self-actualisation
- C hygiene factors
- D basic needs

Answer

(b) Explain why this answer is correct.

(3)

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**(Total for Question 4 = 4 marks)**



5 (a) *Suzuki Motor Thailand* cut its 2014 sales forecast to 40,000 cars from an earlier forecast of 50,000.

The **most likely** reason for the reduction in sales forecast is due to

(1)

- A overestimation of sales
- B an effective advertising campaign
- C less competition
- D a strong economic climate

Answer

(b) Explain why this answer is correct.

(3)

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**(Total for Question 5 = 4 marks)**



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6 (a) In the UK confectionary market over 90% of sales are dominated by mass market chocolate producers *Cadbury's*, *Nestle* and *Mars*.

Which would be the **most appropriate** marketing strategy to increase sales for mass market chocolate producers?

(1)

- A Advertising in specialist magazines
- B High prices to skim the market
- C Selling in luxury retail outlets
- D National television advertising

Answer

(b) Explain why this answer is correct.

(3)

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**(Total for Question 6 = 4 marks)**

**TOTAL FOR SECTION A = 24 MARKS**



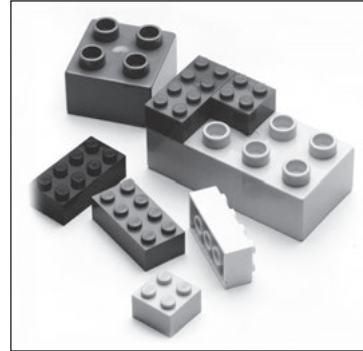
## SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

### Evidence A: *LEGO* history

The name '*LEGO*' is an abbreviation of the two Danish words "leg godt", meaning "play well". It's our name and it's our ideal. The *LEGO Group* was founded in 1932. The Danish company has passed from father to son and is now owned by a grandchild of the founder. It has come a long way over the past almost 80 years and is a global enterprise that is now the world's third-largest manufacturer of toys.



The *LEGO* brick is our most important product. This is why we are proud to have been named twice – "Toy of the Century". Our products have undergone extensive development over the years – but the foundation is still the traditional *LEGO* brick. The brick in its present form was launched in 1958. The interlocking principle of the brick makes it unique, and offers unlimited building possibilities.

The *LEGO* brand is more than simply our familiar logo. It is the expectations that people have of the company towards its products and services, and the accountability that the *LEGO Group* feels towards the world around it. The brand acts as a guarantee of quality and originality – "Only the best is good enough" has been our motto since 1932.

(Source: adapted from [http://aboutus.lego.com/en-gb/lego-group/the\\_lego\\_history](http://aboutus.lego.com/en-gb/lego-group/the_lego_history)  
©2015 The LEGO Group)

### Evidence B: Millions of euros invested in capacity

In order to meet huge global demand for its toys, the *LEGO Group* has stepped up its investments in production capacity by spending over €354m in 2013–2014. In Mexico and the Czech Republic, current factories have been expanded and a new factory built in Hungary. The construction of a *LEGO* factory in Jiaxing China has just begun. When the factory opens in 2016, it will supply the growing Asian market with *LEGO* products.

"It is our strategy to fully control the production process in order to secure that we deliver products that are safe for consumers and of consistent high quality, and we are proud to report that in 2014 the *LEGO Group* once again reached our target of zero product recalls" says Bali Padda, *LEGO Group* Executive Vice President.

(Source: adapted from <http://aboutus.lego.com/en-gb/news-room/2014/february/annual-result-2013>)

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### Evidence C: Adding more than 1,300 employees

In addition to building the physical capacity, 2013 was a year of recruiting employees in areas such as Production, Engineering, Sales and R&D, to equip the *LEGO Group* for future growth. This increased the average number of full-time employees by 1,355 to 11,755, one of the largest annual employee increases in the company's history.

In 2014 the *LEGO Group* also reinforced its commitment to globalising the company by announcing its intention to develop a number of major regional sites. Headquarters will remain centralised in Denmark and focus will be put on building a presence in London, Singapore, Shanghai and Connecticut.

(Source: adapted from <http://aboutus.lego.com/en-gb/news-room/2014/february/annual-result-2013>  
©2015 The LEGO Group)

### Evidence D: Successful product launches and innovation secures strong 2013 result

A successful launch of *LEGO Legends of Chima*, continued success for *LEGO Friends* and strong performance from classic lines, such as *LEGO City*, contributed to a very satisfactory annual result for the *LEGO Group*.

"We are very satisfied with the growth of *LEGO Friends* in its second year on the market and we look forward to expanding the theme in the coming years. In addition, we have successfully established the theme *LEGO Legends of Chima* as a major line, and we will further develop this story and the products in 2014," says Mads Nipper, Executive Vice President of the *LEGO Group*, adding:

"*LEGO Legends of Chima* is a rich and engaging universe that children can explore in many ways. Not only by building and playing with *LEGO* sets, but also in the digital world using apps, exploring content on *LEGO.com*, via videos and online games. The theme is a great example of how we bridge physical and digital play."



In 2014, the first ever *LEGO* movie was launched. It has earned more than \$424m worldwide. A sequel is scheduled to be released in 2017.

(Source: adapted from <http://aboutus.lego.com/en-gb/news-room/2014/february/annual-result-2013>  
©2015 The LEGO Group)



7 Explain why aesthetics may be an important part of the *Lego Group's* design mix.

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(Total for Question 7 = 6 marks)

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8 (a) Analyse **one** benefit of branding for the *LEGO Group*.

(6)

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(b) Analyse **two** benefits for the *LEGO Group* of increasing its production capacity.

(6)

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**(Total for Question 8 = 12 marks)**



9 (a) Explain **one** advantage to the *LEGO Group* of having centralised control through its headquarters in Denmark.

(4)

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(b) Evaluate the use of a recruitment agency by *LEGO Group* to hire its new employees. (Evidence C)

(8)



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**(Total for Question 9 = 12 marks)**



10 Assess the importance to the *LEGO Group* of maintaining high quality in its products.

(12)

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**(Total for Question 10 = 12 marks)**



11 Evaluate the importance of the product life cycle to the *LEGO Group*.

(14)

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**(Total for Question 11 = 14 marks)**

**TOTAL FOR SECTION B = 56 MARKS**  
**TOTAL FOR PAPER = 80 MARKS**



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