



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.

AS BUSINESS

Paper 2 Business 2

Sample assessment material

Time allowed: 1 hour 45 minutes

Materials

For this paper you must have:

- a calculator
- the Formulae sheet (enclosed).

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 80.

For Examiner's Use	
Question	Mark
1.1	
1.2	
1.3	
1.4	
1.5	
1.6	
2.1	
2.2	
2.3	
2.4	
2.5	
2.6	
TOTAL	

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

0	1
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Read the information below and then answer the questions that follow.

Patagonia

Yvon Chouinard, the founder of Patagonia, has always been passionate about the outdoors. In his youth, he loved rock climbing and, with little money to buy equipment, taught himself to make pitons (stakes that are knocked into rocks to hold safety ropes). In the past, pitons could only be used on a climb once, but Yvon used new materials to make them reusable. Others wanted to buy his pitons and Yvon's entrepreneurial journey began.

Yvon did not set out to be an entrepreneur and has never prioritised profit over his values. For example, in the 1970's when 'clean climbing' became popular (climbing the rock without changing it), Yvon stopped selling his pitons even though they generated 70% of his income.

Soon afterwards, Yvon started Patagonia to sell outdoor clothing. His first product was a new style climbing shirt, based on a rugby shirt. The shirt became popular with climbers as the design protected their necks from their equipment.

It is important to Yvon that Patagonia focuses on sustainable operations. For example, Patagonia makes clothing from waste materials such as plastic bottles and fishing nets. Yvon's aim has always been to "build the best product while causing the least harm". This has differentiated the business from many competitors and has created increasing interest as society has generally become more environmentally aware.

Patagonia:

- uses a scorecard to determine if the quality of its products meets its aims sufficiently well to be sold (see Figure 1)
- offers a distinctive set of rewards to attract staff (see Figure 2). Yvon wants to create a workplace "full of people who feel more at home in a base camp or on the ocean than they do in the office."

Yvon, aged 83, is now planning for the future. In 2023, he considered making Patagonia a public limited company but decided instead to create an unusual ownership structure for the business. Key decisions at Patagonia are still made by Yvon and his family; they own 2% of shares and keep all the voting rights. The company continues to want to grow and make profits. The other 98% of Patagonia's shares have been transferred to a new social enterprise called The Holdfast Collective. The Holdfast Collective receives 98% of the dividends paid each year (typically \$100m) but has no votes on what Patagonia does. The Holdfast Collective has been set up specifically to use its income to fight climate crisis.

Sources: ft.com, 2023; Patagonia, 2024

Figure 1: Extract from Patagonia quality scorecard

Every new product is scored out of 10 on a range of criteria as part of its quality check such as:

1	Is it durable?
2	Does it cause unnecessary harm?
3	Is it repairable?

Source: adapted from Patagonia, 2023

The average Patagonia product score is 8.87. All products need to have more a score of more than 8.

Figure 2: Rewards offered for new employees of Patagonia

- The opportunity to work remotely for up to 12 weeks per year.
- Flexible working hours so staff can volunteer for a cause close to their heart, spend more time with family and enjoy the outdoors.
- Training focused on environmental issues.
- Legal support if an employee is arrested during environmental or social justice protests.
- Employee sport groups for climbing, running and cycling.

Source: adapted from Patagonia, 2023

Turn over ►

0 **1** . **1** Define 'sustainable operations'.

[2 marks]

0 1

2

Patagonia has 70 stores worldwide. Explain how decentralisation at Patagonia might benefit these stores.

[4 marks]

6

Turn over ►

0 1 . 3 Explain how Patagonia may benefit from its approach to quality.

[4 marks]

0 1 . **6** Yvon has two key entrepreneurial characteristics:

- the ability to innovate
- strong personal values focused on outdoor activities and protecting the environment.

Which of Yvon's characteristics was most important in making him such a successful entrepreneur?

Assess both options and make a judgement.

[15 marks]

Turn over ►

0 2

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

LEGO

The LEGO Group is a privately owned family company headquartered in Denmark. Its main activities are the development, manufacturing, marketing, and selling of games, toys and digital products across the world.

LEGO:

- has 5 manufacturing sites currently, with two more about to be built.
- produces over 60 billion LEGO bricks each year. These have a long lifespan.
- has over 900 retail stores.
- employs over 27,000 people in over 40 countries.

LEGO has a policy of Responsible Business Principles (RBP). This requires suppliers to meet a set of agreed standards to protect employees, the environment, and provide safe workplaces. In 2022, Lego had 109 direct suppliers, mainly located in Europe, Mexico, and China. LEGO audits its suppliers to ensure that they are following the RBP. In 2022, 25% of LEGO's audits identified what it classified as "higher risk" issues, such as excessive working hours and lack of adequate record keeping in relation to health and safety.

Lego has tried for years to remove ABS plastic from its bricks because of its impact on carbon emissions. The company is committed to reducing the emissions which occur with production using. However, despite heavy investment, the only ways that LEGO has so far found to replace ABS plastic involve huge changes to the manufacturing process and equipment used; these actually lead to higher carbon emissions overall.

An alternative way LEGO could reduce its environmental impact is by reusing its bricks and so reducing the number of new ones produced. LEGO's Replay scheme in the US and Canada encourages people to donate their bricks to charities. LEGO is now considering investing in introducing a new Replay scheme globally as a profit-making part of the business. People would be encouraged to sell their sets of bricks back to LEGO. LEGO would then sort, clean and resell the bricks to new customers.

LEGO is committed to providing a workplace where all colleagues feel a sense of belonging. In 2022, survey results showed that employee levels of motivation were amongst the top 10 percent of other companies worldwide that had also been surveyed. LEGO allows staff, whose work allows it, to be based at home two days a week; this contributes to building strong teams and supporting their wellbeing.

Sources: FT.com,2023; Lego, 2024

Turn over ►

Table 1: Fictional example of how LEGO's unit costs might change with output

Billions of bricks produced	Index of unit cost (Base = 100)
10	100
20	96
30	94
40	90
50	88
60	85

0 2 . 1 Define a 'team'.

[2 marks]

0 2 . 2

Explain how LEGO might benefit from effective project management when building its new factories.

[4 marks]

0 2 . 3 Explain how LEGO might benefit from the levels of employee motivation found by the 2022 survey.

[4 marks]

0 2 . 4

Analyse why LEGO's unit costs of producing a brick might change with the number being produced.

Use **Table 1** to support your answer.

[6 marks]

10

0 **2** . **5** Assess whether LEGO should introduce a new Replay scheme globally. **[9 marks]**

9

0 2 . 6 25% of LEGO’s supplier audits identified “higher risk” issues. LEGO wants to reduce the number of higher risk issues occurring in the long term. Is the best way to do this to:

- undertake more inspection audits

or

- invest more in supplier training about LEGO’s Responsible Business Principles?

Assess both options and make a recommendation.

[15 marks]

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ANSWER IN THE SPACES PROVIDED**

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Question number	Additional page, if required. Write the question numbers in the left-hand margin.
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