



**GCE A LEVEL**

**1510U30-1**

**WEDNESDAY, 25 MAY 2022 – AFTERNOON**

**BUSINESS – A2 unit 3**

**Business Analysis and Strategy**

**2 hours 15 minutes plus your additional time allowance**

**Surname** \_\_\_\_\_

**First name(s)** \_\_\_\_\_

**Centre Number** \_\_\_\_\_

**Candidate Number** 2 \_\_\_\_\_

**For Examiner's use only**

<b>Question</b>	<b>Maximum Mark</b>	<b>Mark Awarded</b>
<b>1.</b>	<b>20</b>	
<b>2.</b>	<b>11</b>	
<b>3.</b>	<b>15</b>	
<b>4.</b>	<b>13</b>	
<b>5.</b>	<b>11</b>	
<b>6.</b>	<b>10</b>	
<b>Total</b>	<b>80</b>	

**ADDITIONAL MATERIALS**

**A calculator.**

**INSTRUCTIONS TO CANDIDATES**

**Use black ink, black ball-point pen or your usual method.**

**Write your name, centre number and candidate number in the spaces provided on the front cover.**

**Answer ALL questions.**

**Write your answers in the spaces provided in this booklet. If you run out of space, use the additional pages at the back of the booklet, taking care to number the question(s) correctly.**

**INFORMATION FOR CANDIDATES**

**The number of marks is given in brackets at the end of each question or part-question.**

**You are reminded of the necessity for good English and orderly presentation in your answers.**

**(Turn over)**

**Answer ALL questions.**

**1. SEAWAYS HOTELS**

**Seaways is a private limited company with a chain of hotels located across 12 locations in Wales. All hotels are situated in seaside resorts such as Porthcawl in South Wales, Saundersfoot in West Wales and Prestatyn in North Wales. Each hotel has approximately 70 rooms that accommodate between 2–4 people and provide entertainment during busy times. The hotels provide a range of packages that include:**

- **Option 1 – Overnight stay plus breakfast**
- **Option 2 – Overnight stay plus breakfast and evening meal**
- **Option 3 – Overnight stay plus breakfast, lunch and evening meal**

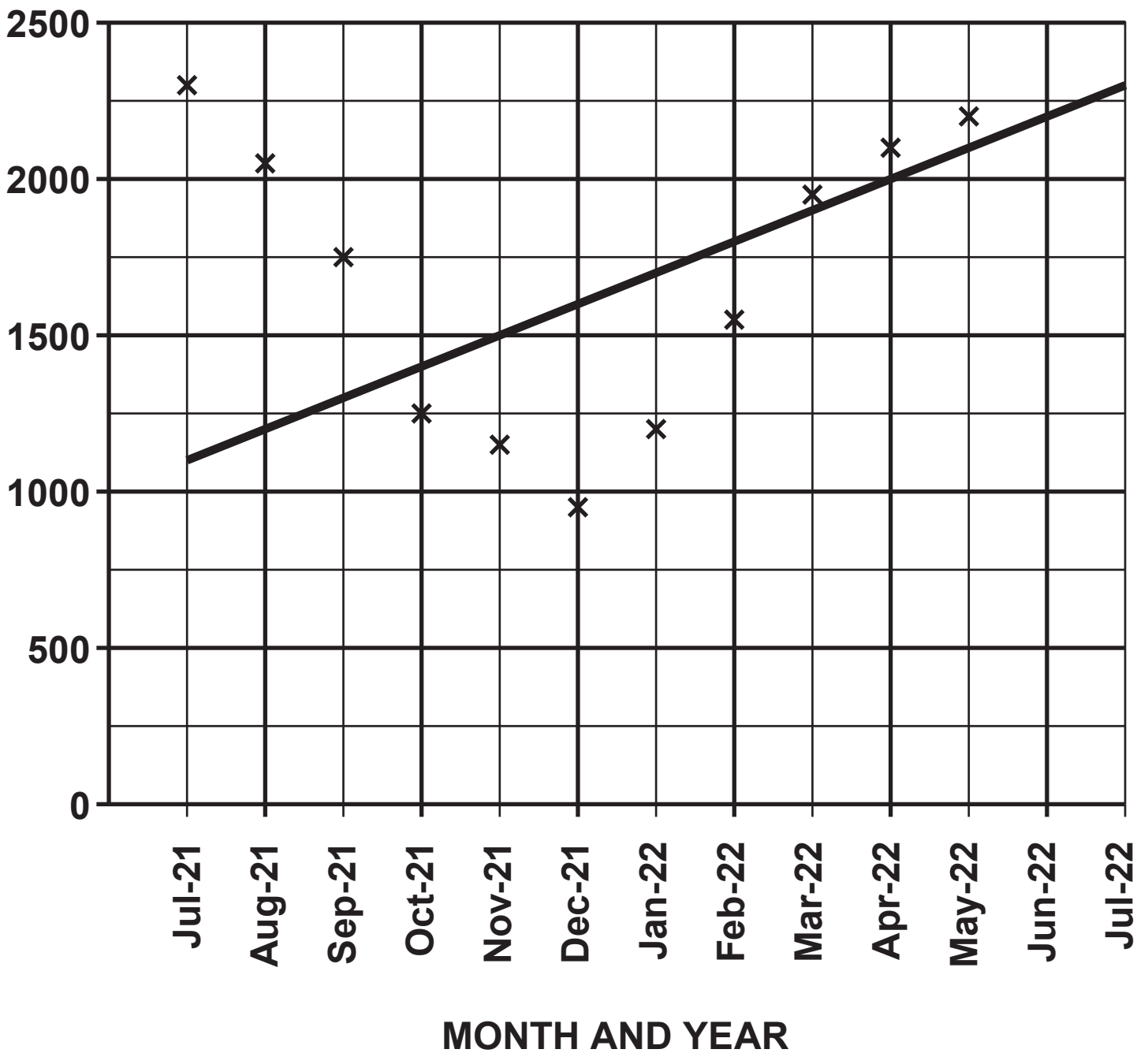
**The number of customers staying at the hotels varies depending on a number of factors including seasonality, weather and special events such as the ‘Elvis Festival’ that is held in Porthcawl once a year.**

**The graph opposite shows the number of guests staying at the Seaways Hotel chain between July 2021 and May 2022. Guest levels have been forecasted for June and July 2022 using a line of best fit and extrapolation.**

**(Turn over)**

# SALES FORECAST FOR SEAWAYS HOTEL CHAIN INCLUDING 3 MONTH MOVING AVERAGE AND LINE OF BEST FIT

## NUMBER OF GUESTS PER MONTH



**1 (a) Use extrapolation to state how many guests are expected to stay at the Seaways Hotel chain in July 2022. [1 mark]**

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## **2. SAINSBURY'S £1.4 BILLION TAKEOVER OF ARGOS**

**In 2016, Sainsbury's, the UK's second largest supermarket chain, completed a £1.4 billion takeover of catalogue retailer Argos. This is an example of horizontal integration because both businesses are in the retail industry and both sell similar products such as electrical goods, toys and home furnishings.**

**A major reason Sainsbury's bought Argos was for its delivery network. Sainsbury's is aiming to deliver goods to customers quicker than its rivals such as Amazon, which launched a grocery delivery service in the UK in 2017. The Argos delivery model, which delivers items to shoppers the same day if they order before 6pm, is very appealing to customers. The supermarket chain has already opened over 100 Argos stores within its own stores (concessions) since taking over the catalogue retailer and plans on opening many more Argos concessions as it attempts to improve performance in a very competitive environment.**

**Source: <https://www.bbc.co.uk/news/business-39587222>**





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- 3. PD Home Builders Ltd was established in 1980 by Phillip Downs when he completed his first house build at a site in Bridgend, South Wales. The business expanded to build homes across Wales and quickly established a reputation for high-quality houses. In 2010, the company celebrated its 30th anniversary by winning two of the top regional housebuilder awards, recognising the quality in design and build.**

**Today, PD Home Builders Ltd has grown into a large company with an extensive product range that includes a wide variety of styles and sizes of houses for customers with different needs and wants.**

**PD HOME BUILDERS LTD'S 2022 OBJECTIVES AND ACTUAL RESULTS FROM  
2021 AND 2020**

	<b>2022 OBJECTIVES</b>	<b>2021 ACTUAL</b>	<b>2020 ACTUAL</b>
<b>TURNOVER</b>	<b>£22 200 000</b>	<b>£19 200 000</b>	<b>£16 200 000</b>
<b>PROFIT</b>	<b>£2 600 000</b>	<b>£2 200 000</b>	<b>£2 000 000</b>
<b>BUILDING PROJECTS</b>	<b>15</b>	<b>12</b>	<b>12</b>
<b>CUSTOMER-RECOMMENDED RATING</b>	<b>90%</b>	<b>85.1%</b>	<b>84.9%</b>
<b>TOTAL EMPLOYEES</b>	<b>300</b>	<b>260</b>	<b>240</b>
<b>LABOUR TURNOVER PER YEAR (NUMBER OF WORKERS LEAVING COMPANY)</b>	<b>15 (5%)</b>	<b>20 (7.69%)</b>	<b>12 (5%)</b>
<b>ACCIDENT/INCIDENT RATE BY SITE</b>	<b>0.30 or below</b>	<b>0.40</b>	<b>0.35</b>



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4. **Rhian Khaliq is the Managing Director of Classy Bows Ltd, a manufacturer of high-quality hair accessories including hair bows and hair bands for children. Despite charging a competitive price of £4.50 for the bows, the UK market has become saturated and sales have been slowing down. However, last month the company still managed to sell 4000 bows to make a profit of £2000.**

**To compensate for lower sales in the UK, Rhian Khaliq is interested in selling to European countries. One retailer from France is willing to make a special order of 2000 bows, if Classy Bows Ltd reduces its price from £4.50 per bow to £3.00. With variable costs of £2.50 per bow and fixed costs of £6000 per month, there is very little margin for profit.**

**4 (a) With reference to Classy Bows Ltd, state what is meant by a special order. [2 marks]**

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## 5. SHEDS FOR WALES LTD

Sheds for Wales Ltd was founded 15 years ago by Davey Jones. The business manufactures and constructs wooden garden sheds and summer houses that are designed to meet specific customer requirements. The business has come a long way since Davey invested the £50 000 he received from a redundancy package to set up the business. In 2020, the company owned 10 delivery vehicles, a large storage facility and a variety of expensive machinery used to produce the unique sheds.

In 2021, Davey Jones decided to sell five vehicles and one machine. Most of the money received from the sale of these fixed assets was included on the income statement as an extraordinary item. The rest of the money was kept as cash and included as part of current assets within the balance sheet to improve the current ratio. The current ratio for 2020 compared to 2021 is shown in the table below:

CURRENT RATIO – 2021	CURRENT RATIO – 2020
1.85:1	1.22:1

(Turn over)

- 5. Despite the success of the business, Sheds for Wales Ltd's accountant has some concerns. Firstly, the business takes far too long to chase up debtor payments and secondly, it takes too long to make payments to trade creditors, with some suppliers threatening to cancel their trade agreement with Sheds for Wales Ltd.**

**The figures opposite have been extracted from the income statement and balance sheet of Sheds for Wales Ltd for the years 2021 and 2020.**

<b>PROFIT &amp; LOSS ACCOUNT (INCOME STATEMENT)</b>		<b>BALANCE SHEET</b>			
		<b>2021 £000s</b>	<b>2020 £000s</b>	<b>2020 £000s</b>	
<b>Turnover</b>	<b>2000</b>	<b>1900</b>	<b>Fixed (non-current) assets</b>	<b>520</b>	<b>672</b>
<b>LESS cost of sales</b>	<b>1200</b>	<b>1000</b>	<b>Current assets</b>	<b>122</b>	<b>134</b>
<b>Gross profit</b>	<b>800</b>	<b>900</b>	<b>Current liabilities</b>	<b>66</b>	<b>110</b>
<b>Sale of an extraordinary item</b>	<b>300</b>	<b>-</b>	<b>Total long-term (non-current) liabilities</b>	<b>32</b>	<b>38</b>
<b>LESS expenses</b>	<b>400</b>	<b>450</b>	<b>Net assets</b>	<b>544</b>	<b>658</b>
<b>Net profit</b>	<b>700</b>	<b>450</b>	<b>Share capital</b>	<b>514</b>	<b>624</b>
			<b>Reserves</b>	<b>30</b>	<b>34</b>
			<b>Total shareholder funds</b>	<b>544</b>	<b>658</b>

**5 (a) With the use of an example, outline what is meant by the term current liability. [2 marks]**

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- 6. Pendragon Furnishings Ltd is a furniture manufacturer with a factory based on an industrial estate in Cardiff. The company produces three-piece suites and sofa beds for all the major furniture retailers in the UK. Pendragon Furnishings Ltd uses just-in-time and the production process involves bulk-increasing, which means that the business uses small components from a variety of suppliers to manufacture large pieces of furniture.**

**The location of the factory is causing complications with deliveries being delayed by traffic congestion and problems distributing the large final products to retailers on time. The Supply Chain & Logistics Director is seeking a new location for the factory and has suggested that access to markets is the most important factor to consider when relocating. However, the Finance Director and Human Resource Director argue that other factors are more important. Therefore, the Board of Directors are finding it difficult to make a final decision.**













