AQA

Please write clearly in block capitals.

Centre number | | | | | | Candidate number | | | | |

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I declare this is my own work.

AS
BUSINESS

Paper 1 Business 1

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

The Social Shepherd Ltd

The Social Shepherd is an award-winning, creative agency based in Bath. It works with some well-known brands such as Premier Inn and Uniqlo. It is a private limited company.

The Social Shepherd produces social media content for other businesses to promote their products and services.

Its services include:
- organic and paid social media campaigns
- influencer marketing.

The Social Shepherd's account managers work with clients to understand how the company can meet their needs and then try to win contracts for campaigns. Account managers help clients to achieve their objectives such as an increase in brand awareness or an increase in customers' average spending. The Social Shepherd takes pride in providing clients with a good return on their marketing spending. Its clients have marketing budgets which they want to ensure are used carefully, especially at the moment when costs generally are rising fast. There are many creative agencies competing with The Social Shepherd to win social media contracts from other businesses.

An example of the type of results achieved by The Social Shepherd following a social media campaign in 2024 is shown in Table 2.

Source: The Social Shepherd, 2024

Table 1: Extracts from The Social Shepherd's accounts, 2021 and 2022

	2022	**2021**
Non-current assets	£38,279	£16,205
Current assets	£1,282,752	£261,791
Current liabilities	£834,212	£198,520
Non-current liabilities	£26,256	£0
Capital employed	£486,819	£79,476

Source: Companies House, 2024

Table 2: Fictional example of a social media campaign: average weekly results at the end of 2023 and 2024

	2023	**2024**
Number of people reached	200,000	1,200,000
Number of engagements*	5,000	40,000
Campaign spend by client	£1,000	£4,000

*'Engagement' occurs when someone clicks through from social media content to the company's website.

0 1 . 1 Define a 'private limited company'.

[2 marks]

2

0 1 . 2 Explain what The Social Shepherd might consider when developing content for a social media campaign.

[4 marks]

0 1 . 3 Explain the change in The Social Shepherd's non-current assets shown in **Table 1**.

[4 marks]

8

0 1 . 4 Analyse why the social media campaign in 2024 could be judged to be successful.

Use **Table 2** to support your answer.

[6 marks]

0 1 . 5 Assess whether the increase in the current and non-current liabilities of The Social Shepherd from 2023 to 2024 is a concern.

Use **Table 1** and relevant calculations to support your answer.

[9 marks]

15

0 1 . 6 To win more clients for its services, should the account managers at The Social Shepherd aim to:

- ensure the price charged is lower than competitors

or

- focus on the benefits the company provides?

Assess both options and make a recommendation.

[15 marks]

15

0 2 Read the information below and then answer the questions that follow.

Peloton

Peloton produces a range of fitness equipment such as exercise bicycles and running machines. The price of equipment depends on the specific item bought but typically is between £3000 and £15000. Peloton also sells online instructor-led classes for which its 6.6 million members pay a monthly subscription – typically, between £12 and £24 a month. By streaming these classes, members can access a variety of fitness and wellbeing classes anywhere, anytime. Types of classes include cycling, running, walking, strength training, stretching, and meditation. Peloton aims to make fitness "entertaining, approachable, effective, and convenient whilst enabling members to connect socially" whilst training. Shares were first traded publicly in 2019 at a price of around $25. The company's market capitalisation in January 2023 was $2.1bn.

When John Foley started Peloton in 2012, he met with several investors individually but struggled to convince any of them of his vision for streaming workouts in homes. As a result, he turned to crowdfunding to raise money for the company.

Despite the high price, Peloton bikes were initially very popular and generated a great deal of publicity. Online communities around the classes also flourished. Sales really took off in the pandemic. Foley said at the time that, "The demand is through the roof." This caused some problems meeting orders and deliveries were delayed. Other problems which affected sales included safety issues on some of the equipment. Post-pandemic sales of equipment were also hit significantly by the re-opening of health clubs.

Peloton recognises there are challenges of getting customers to regularly replace their equipment. The company is now considering focusing more on selling its online classes rather than the sales of equipment.

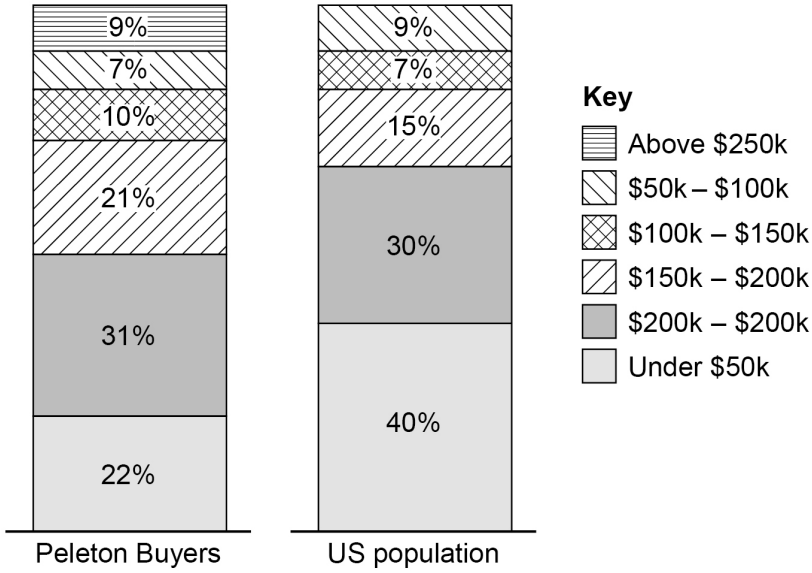
Source: FT.com, 2023; Peloton, 2024

Table 3: Peloton's marketing spend and total revenue, 2017 and 2021

	Marketing spend ($m)	**Total revenue ($m)**
2017	86	219
2021	730	4022

Source: adapted from www.investor.onepeloton.com

Figure 1: Income of Peloton buyers in the US compared to national population data



Source: adapted from www.investor.onepeloton.com

Table 4: Peloton data 2017 and 2021

	2017	**2021**
Number of subscribers	107,700	2,331,000
Growth in subscribers (%)	207	114
Monthly churn rate* (%)	0.7	0.61
Total revenue ($m)	219	4022
Total costs ($m)	145	2570
Gross profit ($m)	74	1452
Operating expenses ($m)	145	1540
Operating loss ($m)	(71)	(188)
Share price 31 December	N/A	$35.76

*'Churn rate' measures the proportion of members leaving that month

Source: adapted from www.investor.onepeloton.com; Google, 2024; NASDAQ, 2024

Table 5: Data on revenues and costs for Peloton equipment and subscriptions

	2017 $m	**2021 $m**
Revenue from fitness equipment	186	3150
Revenue from subscriptions	33	872
Costs of fitness equipment	116	2240
Costs of subscriptions	29	330

Source: adapted from www.investor.onepeloton.com

0 2 . 1 Define ‘market capitalisation’.

[2 marks]

0 2 . 2 Explain why Foley used crowdfunding to raise money.

[4 marks]

6

0 2 . 3 Explain what Peloton might consider when deciding how much to spend on marketing in a year.

Use **Table 3** to support your answer.

[4 marks]

0 2 . 4 Analyse how the data in **Figure 1** might affect Peloton's US marketing mix.

[6 marks]

10

0 2 . 5 Assess whether Peloton's shareholders should be pleased with the company's performance between 2017 and 2021.

Use **Table 4** and relevant calculations to support your answer.

[9 marks]

9

0 2 . 6 To expand the business in the future do you think Peloton should focus on increasing:

- sales of its fitness equipment

or

- subscriptions to its online classes?

Use **Table 5** and relevant calculations to support your answer.

Assess both options and make a judgement.

[15 marks]

END OF QUESTIONS

15

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ANSWER IN THE SPACES PROVIDED

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