Please write clearly in block capitals.

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

Surname _____

Forename(s) _____

Candidate signature _____
I declare this is my own work.

# A-level
# BUSINESS

## Paper 1 Business 1

Sample assessment material

Time allowed: 2 hours

**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 90.

| For Examiner's Use | |
|---|---|
| Question | Mark |
| 1.1 | |
| 1.2 | |
| 1.3 | |
| 1.4 | |
| 1.5 | |
| 2.1 | |
| 2.2 | |
| 2.3 | |
| 2.4 | |
| 2.5 | |
| **TOTAL** | |

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

**0 1**

## Gymshark

Ben Francis was 19 when he asked his parents if he could use the garage in their house to start making gym clothes he had designed. Whilst studying business at university, Ben teamed up with a school friend and the gymwear business Gymshark was born.

Ben used his £5 an hour salary at Pizza Hut and £1000 savings to invest in equipment such as a sewing machine. Ben taught himself to sew and attended bodybuilding exhibitions to raise brand awareness. In 2012, Ben dropped out of university to focus on the business full-time.

The Gymshark brand has become a hit with younger gym goers and is doing well in a highly competitive market. Competitors include Adidas and Puma. Gymshark has not used the traditional combination of advertising and high street shops for promotion, relying instead on Gymshark clothing being worn by athletes and social media “influencers” on Instagram, Tik Tok and Facebook. Some of these influencers have millions of followers. Ben himself is well known and still posts many of his own fitness videos on social media to advertise the brand. The company currently has 18 million followers.

In 2021, Gymshark raised £200 million by selling shares to the General Atlantic company. This made Gymshark one of relatively few British businesses valued at over $1 billion. Ben still owns a 70 per cent stake in the company and has a clear vision of how he wants the business to develop. General Atlantic owns just over 20 per cent. Managers own 10 per cent. The funds were raised with the aim of expanding the business in North America, where Gymshark already makes a large part of its sales, and to grow the business rapidly in other regions of the world. Ben is ambitious and wants to make the Gymshark brand the UK equivalent of Nike. The Nike brand was worth $31 billion in 2023; market research suggests that 43 per cent of people who buy Nike sportswear would do so again.

In October 2022, Gymshark made a significant investment and opened its first physical store on Regent Street in London. The company realises it must create a unique retail experience for customers. For example, customers can learn how to lift weights when they visit the store.

Ben has ambitious plans for the future, including opening more physical stores and launching Gymshark products in Asia.

Source: Gymshark, 2024

**Table 1:** Extracts from Gymshark Group Ltd's financial statements, 2021 and 2022

| | **2022 (£000s)** | **2021 (000s)** |
|---|---|---|
| Turnover | 484,476 | 401,946 |
| Net profit | 22,529 | 36,497 |
| Non-current liabilities | 76,743 | 16,849 |
| Capital employed | 157,256 | 93,835 |

Source: Companies House, 2024

**Table 2:** Social network by number of monthly active users globally, 2024

| | **Billion** |
|---|---|
| Facebook | 3.0 |
| Instagram | 2.0 |
| Tik Tok | 1.6 |

Source: Statista, 2024

**0 1 . 1** Analyse how Ben's attitude to risk made him a successful entrepreneur.

**[6 marks]**

**0 1 . 2** Ben wants to make Gymshark's brand as strong as Nike's.

Analyse how this would benefit the business.

**[6 marks]**

6

**0 1 . 3** Assess whether Gymshark is right to use influencers to promote the business.

**[9 marks]**

9

**0 1 . 4** Assess whether Gymshark was in a better financial position in 2022 than 2021.

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

**[9 marks]**

9

**0 1 . 5** You are advising Ben about the future of the business. Which do you think he should focus on first:

- turning Gymshark into a public limited company

or

- opening more physical stores?

Assess both options and make a recommendation.

**[15 marks]**

15

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

**Apple's Vision Pro**

In September 2023, Apple launched Vision Pro in North America. Vision Pro is a virtual reality (VR) headset. Unlike rival headsets which require hand-held controllers, Vision Pro is controlled by hand gestures, voice commands and eye movements. Analysts estimate over $20,000 million has been spent developing Vision Pro over the last five years.

Vision Pro may turn out to be one of Apple's lowest-selling products. Apple reportedly hoped to sell 3 million units in the first year. Some commentators expect sales will be below 200,000 units in this period – lower than any of Apple's other big product launches. At a price of $3,499, Vision Pro is three times more expensive than Meta's rival headset, Quest. Other issues with the product include a battery which only has a two-hour life and a headset which some users have stated is awkward to wear.

Apple was keen to launch Vision Pro due to competitive pressures, particularly from Meta, which has been selling Quest at a loss to gain market share. There is debate as to whether Apple should continue with plans to launch Vision Pro in Europe or not.

Apple does have:

- a huge database of details about current users of its products. Over 2 billion Apple devices are in circulation globally.
- a wide product portfolio. Vision Pro can synchronise with other Apple products; for example, users can FaceTime (video call) with their friends who have iPhones.
- a trusted brand. In a 2021 survey, three times as many people around the world said they would buy a headset from Apple compared to its nearest rival.

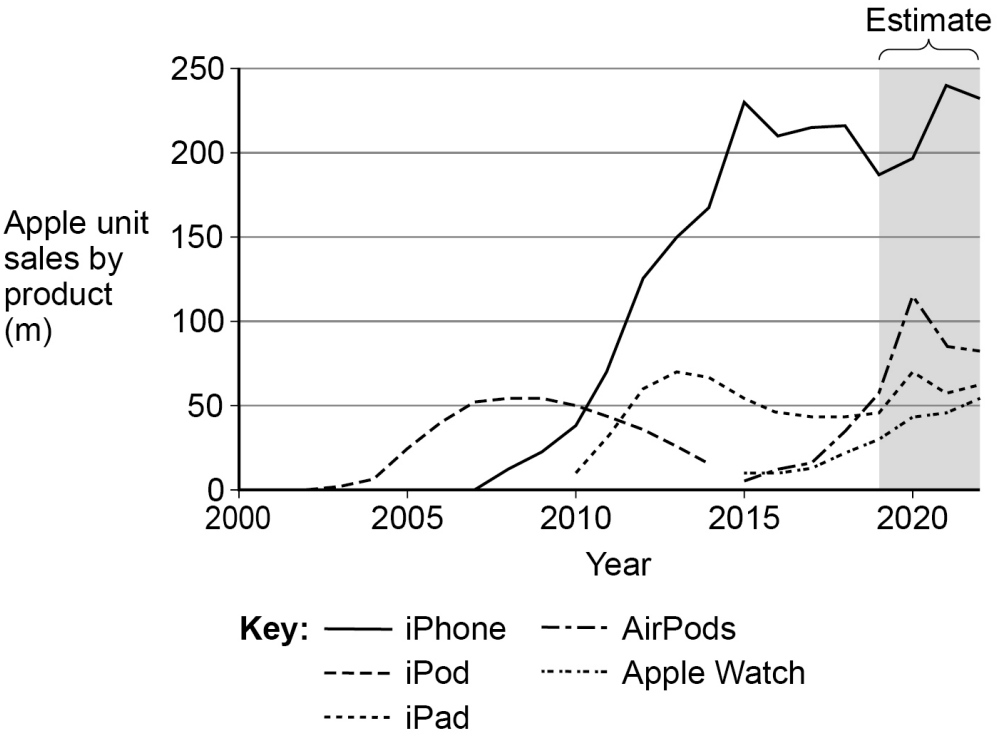
Apple produces many other products such as iPads, Mac computers, iPods, Apple TV, and Apple watch. It operates in very dynamic markets. Steve Jobs, Apple's founder, said that its customers do not know what they want until Apple makes it; this suggests that any money spent on market research by the company is wasted.

In 2023, Apple's global sales were $394, 328 million; its net profit was $99,803 million. In recent years, Apple has paid around 15% of net profits out as dividends.

Sources: The Economist, 2023; Apple, 2024

6

**Figure 1:** Apple unit sales by product, 2000-2022




Source: adapted from The Economist, 2023

**Table 3:** Share information for Apple, 2022-2023

| | **30/9/2022** | **29/9/2023** |
|---|---|---|
| Share price | $138.20 | $171.21 |

Source: Google, 2024; NASDAQ, 2024

**Table 4:** Estimated market data on North America and Europe, 2022

| | **Estimated population size (bn)** | **Estimated Apple sales revenue ($bn)** | **Estimated average income ($000)** | **Estimated market share of Apple in smartphone market (%)** |
|---|---|---|---|---|
| North America | 0.6 | 163 | 31 | 52 |
| Europe | 0.7 | 94 | 34 | 25 |

**0 2 . 1** Analyse why Apple set the price of Vision Pro at $3,499.

**[6 marks]**

6

**0 2 . 2** Analyse what might have caused Apple's share price to change between September 2022 and September 2023 (see **Table 3**).

**[6 marks]**

6

**0 2 . 3** Assess whether spending on market research is a waste of money for Apple.

**[9 marks]**

9

**0 2 . 4** Assess whether investment in new product development is essential to the long-term success of Apple.

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

**[9 marks]**

9

**0 2 . 5** If you were the Chief Executive of Apple in 2023, would you:

- continue with plans to launch Vision Pro in Europe

or

- stop producing Vision Pro?

Use **Table 4** to support your answer.

Assess both options and make a recommendation.

**[15 marks]**

**END OF QUESTIONS**

15

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