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Surname \_\_\_\_\_

Other Names \_\_\_\_\_

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

Candidate Number \_\_\_\_\_

Candidate Signature \_\_\_\_\_

I declare this is my own work.

**GCSE**

**BUSINESS**

**Paper 2 Influences of marketing and finance on  
business activity**

**8132/2**

**Tuesday 2 June 2020**

**Afternoon**

**Time allowed: 1 hour 45 minutes**

**At the top of the page, write your surname and other names, your centre number, your candidate number and add your signature.**

**[Turn over]**



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**For this paper you must have:**

- a calculator.

## **INSTRUCTIONS**

- Use black ink or black ball-point pen.
- Answer ALL questions.
- You must answer the questions in the spaces provided. Do not write 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.

## **ADVICE**

- The marks for each question are shown in brackets.
- The maximum mark for this paper is 90.

**DO NOT TURN OVER UNTIL TOLD TO DO SO**



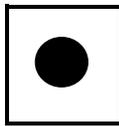
## SECTION A

Answer ALL questions in the spaces provided.

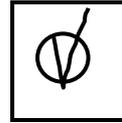
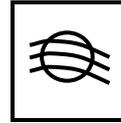
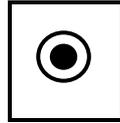
For questions with four responses, only ONE answer per question is allowed.

For each answer, completely fill in the circle alongside the appropriate answer.

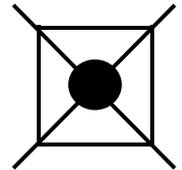
**CORRECT METHOD**



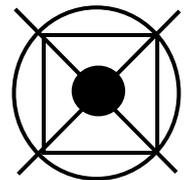
**WRONG METHODS**



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.



**0 1 . 1** Which element of the marketing mix involves selecting a channel of distribution?  
[1 mark]

**A Place**

**B Price**

**C Product**

**D Promotion**

**[Turn over]**



**0 1 . 2** Which source of finance is available to a limited company but NOT a sole trader?  
[1 mark]

**A Bank loan**

**B Mortgage**

**C Overdraft**

**D Share issue**



**01.3** Which pricing method involves calculating the costs of production and adding a percentage to make a profit? [1 mark]

**A Competitive pricing**

**B Cost-plus pricing**

**C Loss leader**

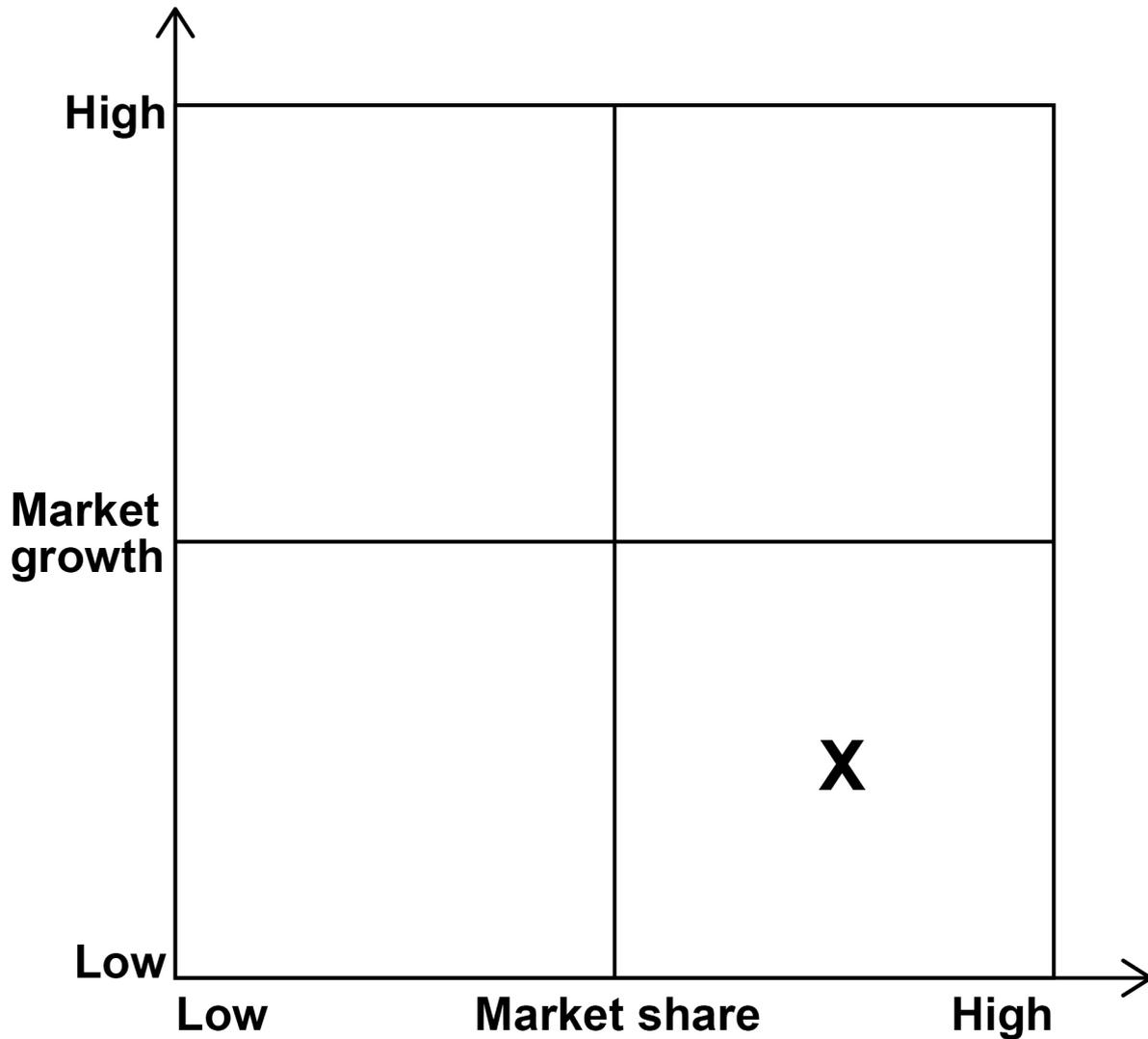
**D Price skimming**

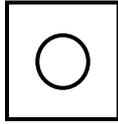
**[Turn over]**



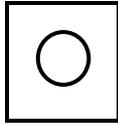
- 01.4 What is the name for the category of products in the Boston Matrix labelled X below? [1 mark]

FIGURE 1 The Boston Matrix

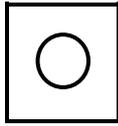




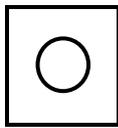
**A Cash cow**



**B Dog**



**C Question mark/problem child**



**D Star**

**[Turn over]**



**0 1 . 5** Which method of growth involves employing another business to produce products or provide services? [1 mark]

**A E-commerce**

**B Franchising**

**C Outsourcing**

**D Merger**

**0 1 . 6** Which of the following would be on a statement of financial position? [1 mark]

**A Cost of sales**

**B Non-current assets**

**C Rent**

**D Revenue**



**01.7** Explain what is meant by the term 'economies of scale'. [2 marks]

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**[Turn over]**



**01 . 8** Identify TWO ways business activity can have an impact on the environment. [2 marks]

**Way 1**

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**Way 2**

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**01 . 9** Explain ONE way a business can minimise risk. [2 marks]

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01.10

**Explain ONE way that promoting a good or service can increase sales. [2 marks]**

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**[Turn over]**

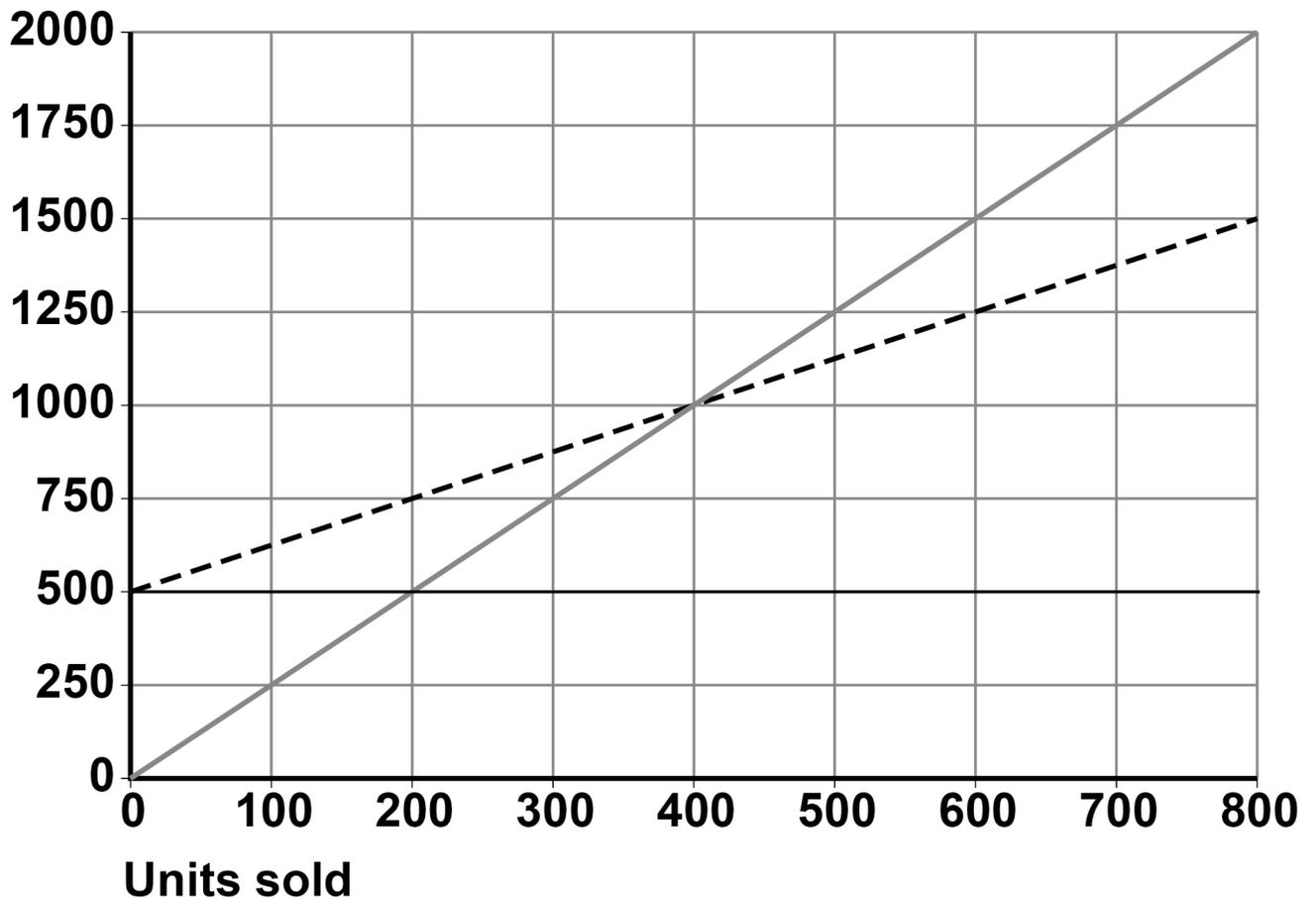
01.11

Use the break-even chart below to calculate the margin of safety in units if the actual number of units sold was 700.

Show all workings. [2 marks]

FIGURE 2

Costs and revenues (£)



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**Answer** \_\_\_\_\_

**[Turn over]**



**0 1 . 1 2** State and explain TWO extension strategies that can extend the life cycle of a product. [4 marks]

**Strategy 1** \_\_\_\_\_

**Explanation** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Strategy 2** \_\_\_\_\_

**Explanation** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
**20**



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**SECTION B**

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

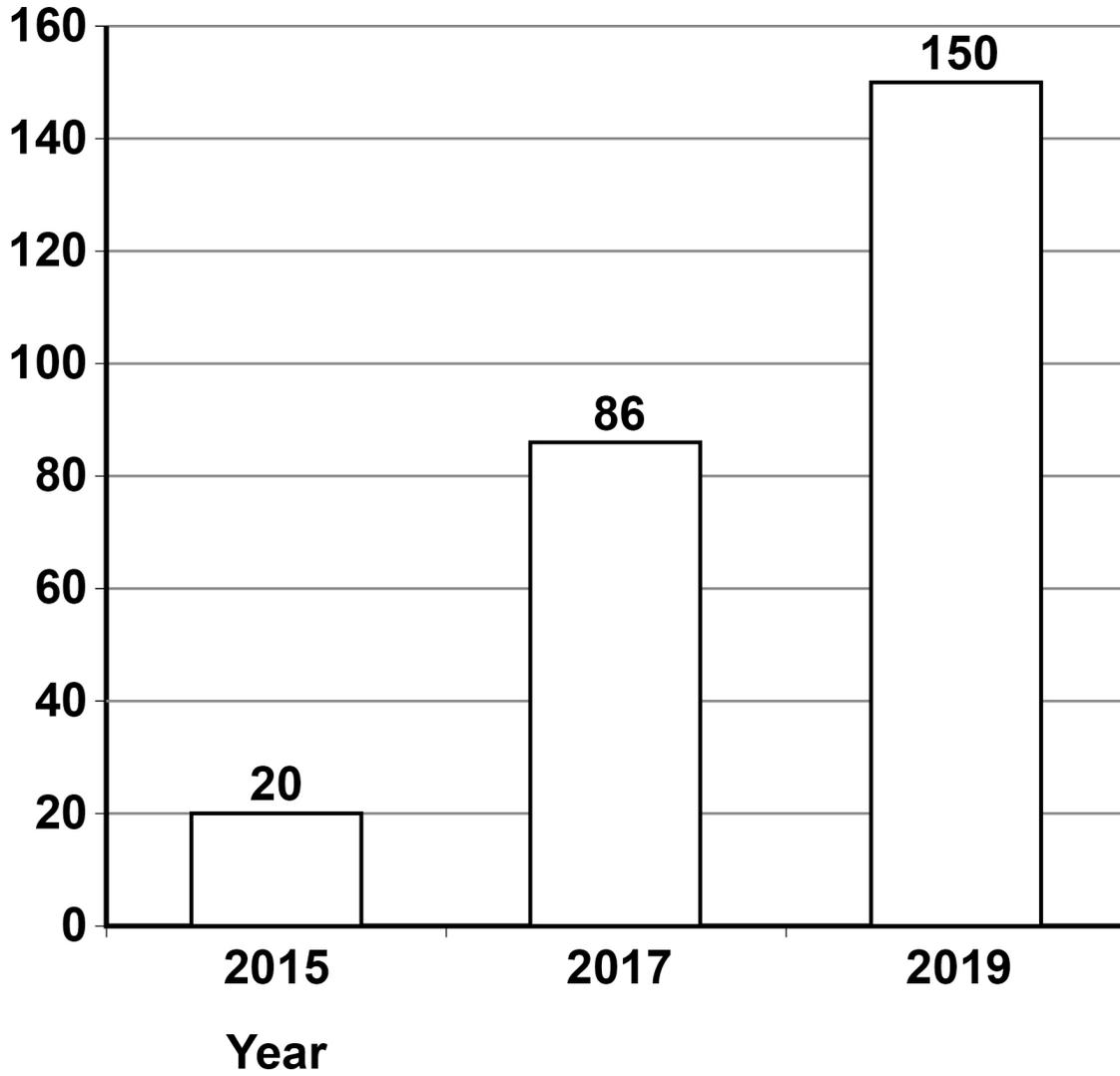
**02** ITEM A: TRADEUP

**TradeUp is a high street retailer that buys, sells and exchanges second-hand entertainment products and technology. These products include video games, mobile phones and tablet computers. TradeUp was established in 2002. The number of TradeUp stores since 2015 is shown on the opposite page.**



### Number of TradeUp stores

Number of stores



[Turn over]



To keep up with a growing market, TradeUp has used franchising since 2015 to expand rapidly as it had limited funds available to set up stores itself. To open a TradeUp franchise, each franchisee must make an initial investment of £150 000. This money is used to design and fit the shop, purchase opening stock and train managers. Franchisees must pay TradeUp an ongoing royalty fee of 7% of their revenue.

One franchisee is Amelia Appleby. Amelia has had an idea to sell home appliances such as vacuum cleaners and microwaves, but she is unsure which products would be popular. Amelia is keen to present her idea to TradeUp as soon as possible, but she knows that she needs market research to support her proposal. Although Amelia is busy running her store, she has decided to conduct a focus group with her regular customers. To encourage customers to participate, Amelia will pay each of them a small fee. In the past, Amelia has used questionnaires to collect feedback from customers. These were placed on the shop counter for four weeks for customers to complete, but she had a very low response rate.



**02.1** Identify the business sector that provides services to customers. [1 mark]

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**02.2** Calculate the average number of TradeUp stores opened each year from 2017 to 2019.

Show all workings. [2 marks]

Workings: \_\_\_\_\_

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Answer \_\_\_\_\_

[Turn over]















**ITEM B: TRADEUP**

The demand for some second-hand products, such as mobile phones, changes quickly. Amelia needs to make sure that her prices are competitive with other second-hand retailers otherwise she will lose customers.

**TABLE 1 Extract of Income Statement for year ending April 2020**

	(£ 000)
<b>Sales revenue</b>	<b>140</b>
<b>Cost of sales</b>	<b>84</b>
<b>Gross profit</b>	<b>56</b>

Amelia has always liked her location in a busy town centre and has never had any direct competition. This location has provided Amelia with loyal customers who like the convenience of being able to visit her store when they are in town shopping. However, another retailer located nearby has announced that it will start to offer a similar service to TradeUp. Amelia has heard that a unit on an out-of-town retail park has become available. She has found out that although the size of the unit at the retail park is bigger than her current location, the rent would be £825 per month,



which is lower than her current payment of £1100 per month. There is a bus link every hour to the retail park and lots of free parking; however not all her current employees can drive.

**0 2 . 5** Explain ONE factor that influences pricing decisions. [2 marks]

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[Turn over]

**0 2 . 6** Amelia is aiming to reduce cost of sales in 2021 so she can improve her gross profit. She predicts her sales revenue will stay the same.

**Calculate the difference in the gross profit margin between 2020 and 2021 if Amelia increases gross profit by 25%.**

**State the formula for gross profit margin and show your workings. [5 marks]**

**Formula:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Workings:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Answer** \_\_\_\_\_ %











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**SECTION C**

Answer ALL questions in the spaces provided.

**03** ITEM C: Devine Jewellery (DJ) plc

Devine Jewellery (DJ) plc is an international business that sells a range of luxury jewellery items such as bracelets, necklaces and rings. The business was started by British jewellery designer Dev Anand who developed a unique selling point (USP) of jewellery that can be personalised with a message or initials. This USP has attracted customers from all over the world. All DJ products are crafted from high quality gold and gemstones. This has enabled DJ to create an exclusive brand image that has attracted wealthy customers.

As a profitable business, DJ's shareholders receive dividend payments each year. Dev understands that his business must be willing to respond to current trends to maintain sales levels. Silver jewellery is very common as it is much more affordable than gold. Reputable brands already sell jewellery in a range of precious metals, including silver.



Dev is keen to produce a new jewellery collection using silver instead of gold. The new collection would not be personalised or include gemstones. The current selling price of DJ's best-selling gold bracelet is £4700. A silver version of this bracelet would be sold for £1175.

**0 3 . 1** Explain ONE way that shareholders can have an impact on a business. [2 marks]

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**[Turn over]**



**03.2** Using ITEM C, on pages 36 and 37, explain ONE way that Devine Jewellery is able to compete successfully internationally.  
[2 marks]

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- 03.3** Use the information in ITEM C to calculate the percentage decrease in the selling price of a bracelet if it is made from silver instead of gold.

Show all workings. [2 marks]

Workings: \_\_\_\_\_

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\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Answer \_\_\_\_\_

[Turn over]







**ITEM D: Devine Jewellery (DJ) plc**

**DJ imports and exports goods to and from the UK where it is based. One of its most successful export markets is the USA, where it has 14 stores. It also imports diamonds to the UK from India as they are much cheaper to buy from here than other countries. This means DJ can make a larger profit on each item sold. DJ only has stores in large cities, so customers mainly use the website to find information on jewellery items.**

**DJ has always advertised in fashion magazines read by its wealthy target market but wants to raise its profile further. Other jewellery businesses are promoting their brands by sponsoring big events such as sports competitions, festivals and awards ceremonies. DJ would like to sponsor a fashion show in London for a world-famous British designer with an expensive clothing range. The designer has agreed that if the sponsorship goes ahead, the models will all wear jewellery from the DJ collection. As well as attracting reporters and photographers from around the world, the fashion show will be streamed live on the Internet and shown on television.**



**03.5** Explain ONE way a business can use digital technology to communicate with customers.  
**[2 marks]**

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**[Turn over]**









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**ITEM E: Devine Jewellery (DJ) plc**

**DJ currently only sells its jewellery through the 60 stores it owns. This has allowed DJ to maintain its brand image and the high level of service customers expect. Dev has recently been approached by a luxury hotel chain that has more than 100 properties around the world. The hotel is interested in selling a small non-personalised range of Devine Jewellery in its hotel shops alongside less expensive brands. The hotel would want to add 20% to the normal selling price of each piece of jewellery to cover its costs.**

**To increase sales, DJ has offered credit to customers spending over £2000 so they can buy jewellery now and pay later. Many competitors also offer credit. This has enabled customers to purchase expensive pieces of jewellery and pay for them in ten equal instalments. Not all customers have been able to afford the monthly repayments and DJ has spent time and money trying to recover the debt.**



**03.8**

**Dev wants to improve the financial performance of Devine Jewellery. Dev is considering TWO options to achieve this. Recommend whether Devine Jewellery should:**

- use the hotel chain as a channel of distribution to sell its jewellery**
- remove the current credit scheme so that customers can no longer pay for jewellery in monthly instalments.**

**Analyse the effect of EACH of these TWO options on Devine Jewellery.**

**Evaluate which of these TWO options will have the biggest impact on the future success of Devine Jewellery. [12 marks]**

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**[Turn over]**



















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For Examiner's Use	
Section	Mark
A	
B	
C	
<b>TOTAL</b>	

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