



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2017

Business Studies

Assessment Unit AS 2
assessing
Growing the Business



SBU21

[SBU21]
FRIDAY 26 MAY, AFTERNOON

TIME

1 hour 30 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.
Answer **both** questions.

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.

Quality of written communication will be assessed in Question **1** parts **(c)** and **(d)** and Question **2** parts **(c)** and **(d)**.

Quantitative skills will be assessed in Question **1** part **(a)** and Question **2** part **(a)**.

Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

Any workings should be clearly shown since marks may be awarded for partially correct solutions.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each part question in allocating the available examination time.

Read the following information and answer the questions that follow.

1

New car sales in Northern Ireland

Table 1 shows the total number of new cars sold annually in Northern Ireland during 2014 and 2015 and projected sales for the years 2016 and 2017:

Table 1: Annual New Car Sales in Northern Ireland

	Actual Sales 2014	Actual Sales 2015	Projected Sales 2016	Projected Sales 2017
Total number of new cars sold per year	57 202	57 097	57 000	57 000

Table 2 summarises the total number of vehicles sold during the month of January in 2015 and 2016 respectively:

Table 2: New Car Sales in Northern Ireland

	January 2015	January 2016
Number of new cars sold for the month	6 356	6 189

Although new car sales decreased, the two most popular models sold during January in both years were the Ford Fiesta and Volkswagen Golf. In January 2016 a new Ford Fiesta was priced at £10,245 whilst a new Volkswagen Golf was priced at £17,545. Both these models are very popular in the used-car market. This data reflects customer tastes indicating that smaller and more economical cars appear to be popular with Northern Ireland customers.

Daly's Garage is one of Belfast's longest serving car dealerships. A key marketing objective of many car dealerships would be to grow through increased sales to customers. Mr Daniel Daly, a director in the business, recently stated: "The entire industry in Northern Ireland is selling to a much smaller private retail market than the rest of the UK. Dealers in the rest of the UK have access to larger markets making it easier for them to offer bigger discounts to customers." A car dealer can use a range of pricing strategies to entice customers into purchasing a new car, including pricing policies, discounting, low interest rates (on hire purchase/leasing contracts) and generous trade-in allowances.

Primary market research information appears to suggest that the market for new car sales in Northern Ireland will remain virtually unchanged for the years 2016 and 2017 as shown in Table 1. This may be explained by the slower recovery of the Northern Ireland economy and continued uncertainty over jobs.

Mr Daly is considering some of the key elements of the marketing mix – price and promotion – in order to finalise the marketing plan for his business in the next trading period. A car dealer can employ a range of promotional strategies aimed at persuading a customer to buy a new car. Daly's Garage use their website and social media facilities such as Facebook, Twitter and YouTube to promote their cars. A car dealer may also use other media channels including local newspapers and specialist trade publications such as *Autotrader* and *Cars.com*. Mr Daly is also planning to conduct market research using methods such as questionnaires, focus groups and observations to achieve his marketing objectives.

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- (a) (i) Using the information in **Table 2** calculate the percentage decrease (rounded to two decimal places) in the number of new cars sold in January 2016 compared to January 2015. Show your workings clearly. [2]
- (ii) Using the information in **Table 1** and **Table 2** calculate the percentage of new cars sold in January 2015 (rounded to two decimal places) as a proportion of the total number of new cars sold during 2015. Show your workings clearly. [2]
- (b) Analyse **two** ways in which the Northern Ireland car market may be segmented. [8]
- (c) Analyse **three** primary market research methods that Daly's Garage might use to maintain market share. [10]
- (d) Evaluate the key elements of the marketing mix mentioned in the case study, which would enable Daly's Garage to increase its sales. [18]

Read the following information and answer the questions that follow.

2

The 4G-Phone Shop

In March 2016, Paula Carr opened her own business called The 4G-Phone Shop. She sells new and refurbished mobile phones. Paula previously worked as a telephone engineer and is confident that she can meet the needs of her customers effectively. Her accountant (Dave) recently reported that the business had made a net profit of £12,000 during the year ended 31st March 2017.

As part of her planning process, Paula undertook some research into the prices of mobile phones. She also forecasted the costs related to the business and these are shown in **Table 3** below:

Table 3: Forecasted Financial Data

Average Selling Price per mobile phone	£275
Fixed Costs per year	£48,000
Variable Costs per mobile phone	£150

In addition, the accountant has identified that Paula has spent a large amount of money on advertising and has suggested she use social media as a means of gaining free publicity for the business. Paula's research has also shown that the use of social media appears to have an influence on a buyer's decision-making process. Furthermore, she spent £5,000 (in cash) on an upgrade of the computer system in the shop in order to make it more efficient. The accountant also observed that the current supplier did not appear to offer favourable payment terms to Paula.

Paula's accountant (Dave) has advised her to set a future annual profit of £24,000 to ensure the growth of her business.

Paula is confused when she discovers that her bank account is overdrawn by £1,000 despite the accountant having previously reported a net profit of £12,000. Dave has suggested that the construction of a cash flow forecast could be based on mobile phone sales forecasts, manipulation of current sales data, estimation of proposed expenses and calculation of monthly cash balances. He has also pointed out that forecasting techniques may be inaccurate as they may be based on estimates and may not reflect market conditions. Paula now realises that she must maintain a positive cash flow if the business is to succeed. In light of this advice, Paula is considering constructing a cash flow forecast for the future.

- (a) (i) Calculate the number of mobile phones that The 4G-Phone Shop would need to sell per year in order to break even. Show your workings clearly. [2]
- (ii) Identify the number of mobile phones that Paula would need to sell per year, in order to obtain a target profit of £24,000. Show your workings clearly. [2]
- (b) Analyse **two** reasons why Paula should use social media to promote The 4G-Phone Shop. [8]
- (c) Analyse **three** methods that Paula could use to improve her cash flow. [10]
- (d) Evaluate the importance of a cash flow forecast to The 4G-Phone Shop. [18]

Formula: (i) Breakeven Point (Units) = Fixed Costs/Contribution per unit

(ii) Number of units to sell to achieve a desired profit = $\frac{(\text{Fixed Costs} + \text{Desired Profit})}{\text{Contribution per unit}}$

THIS IS THE END OF THE QUESTION PAPER

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