



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2018

Business Studies

Assessment Unit AS 2
assessing
Growing the Business



SBU21

[SBU21]
FRIDAY 25 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 (b).

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

Bonny's Child Restraints

Bonny Doogan manufactures child restraints (baby seats) for use in cars. Bonny has been operating as a sole trader business for over 20 years. **Table 1** summarises the different types of child restraint and corresponding weight range designed to fit children up to the age of 12.

Table 1: Types of Child Restraint

Type of Child Restraint	Weight Range
Combination seat (rearward and forward-facing)	0–25 kg
Forward-facing child seat	9–18 kg
Forward-facing child seat	9–36 kg
High-backed Booster Seat	15–25 kg

©RoSPA - Adapted from www.childcarseats.org.uk/types-of-seat/

Sales prices range from £35 to over £500 for a child restraint. It is estimated that annually, UK consumers spend a total of £400 million on child restraints. The products are available in a range of different designs and fabrics for all age groups.

Bonny employs Clive, who previously worked for a similar business in Paris, and five other skilled employees. In order to improve efficiency and encourage product innovation, Bonny recently obtained a bank loan of £50,000, which allowed her to install the latest 3D stitching equipment in the workshop. In addition, Bonny was able to upgrade e-business facilities (including the website), social media (e.g. Facebook and LinkedIn) and automated payment systems, in the hope of increasing sales.

Bonny is planning to get married and emigrate to Australia in the near future. Clive is considering buying the business and is concerned about the increased level of expenses due to higher interest charges. He has asked to see the accounts for the previous two years. Bonny's accountant prepared the following summarised final accounts:

	31 March 2017 (£)	31 March 2018 (£)
Sales Revenues	199 600	199 995
Cost of Sales	(59 679)	(53 654)
Gross Profit	139 921	146 341
Less Expenses	(81 477)	(96 342)
Net Profit	58 444	49 999

Fig 1: Income Statements for Bonny's Child Restraints

	31 March 2017 (£)	31 March 2018 (£)
Non-Current Assets	200 000	250 000
Current Assets	25 000	21 710
Total Assets	225 000	271 710
Equity		
Capital	150 000	198 000
Add Net Profit	58 444	49 999
Less Drawings	(10 444)	(39 950)
Total Capital	198 000	208 049
Non-Current Liabilities		
Bank Loan	0	50 000
Current Liabilities	27 000	13 661
Total Capital and Liabilities	225 000	271 710

Fig 2: Statement of Financial Position for Bonny's Child Restraints

(a) Explain what is meant by the term **e-business** using an example from the case study to illustrate your answer. [4]

(b) (i) Calculate the Return on Capital Employed (ROCE) ratio for Bonny's business for March 2017 and March 2018 (you must show your workings and round your answer to the nearest whole number). [4]

(ii) Analyse **one** reason for the change in Bonny's ROCE from March 2017 to March 2018. [4]

(c) Analyse **three** ways in which Bonny might segment the market for child restraints. [10]

(d) Evaluate the usefulness of the information included in the final accounts to Clive, in assessing business performance. [18]

Formula:

Return on Capital Employed (ROCE)	$\frac{(\text{Net Profit})}{(\text{Total Assets} - \text{Current Liabilities})} \times 100\% = x\%$
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Read the following information and answer the questions that follow.

2

Belfast's Bullitt Hotel

The Bullitt Hotel is a 4* property and opened in October 2016 as part of a £7 million re-development of Lagan House on Belfast's Ann Street. The hotel has a number of features, including 80 bedrooms and four apartments, and a roof garden named "Babel", which is claimed to be the biggest in Ireland.

In terms of the physical environment, the guest experience includes lifts which welcome guests with an oral message in a distinctly Belfast style, as voiced by a distinguished local broadcaster. Another unique feature of the hotel is that it has a "bullet hole in one of the windows ... [which] will pay homage to 1960s icon Steven McQueen and his film, 'The Bullitt'".

Mr Bill Wolsey, a company director, stated: "The Bullitt will offer excellent food – traceable meats, home-made cookies and fare cooked in an amazing Asador spit grill – with a good night's sleep in 'the best beds you can buy', but without the added luxuries of five-star facilities ... I wanted another hotel in Belfast, but there was no room for another five-star [hotel]. Market research data indicates that customers want air conditioning, power-shower and mini bar in a modern, attractive room."

He added: "This hotel has a focus on a 'vibrant ground floor' with three bars (one designed like a ski lodge with skis decorating part of the ceiling), a coffee shop and main restaurant. This will be the first of many Bullitt hotels as I hope to open others in Dublin and Manchester in the near future", as a way of increasing market share. The management team use different methods of market research such as interviews, surveys (published in government publications) and test marketing results.

In terms of market size, a review of the hotel sector in Belfast undertaken by Belfast City Council suggested that a total of 32 hotel properties are available. Industry trends reveal that investors in hotel properties located in Belfast city appear to enjoy one of the highest hotel occupancy levels in the UK. In addition, room rates charged to customers are among the most profitable in the UK. The following table provides a summary of hotel properties located in the city of Belfast:

Table 2: Number of Hotels in the City of Belfast

Hotel Property	Number of Hotels	Number of Rooms
5 star	1	62
4 star	8	641
3 star	8	790
Budget	8	881
No star grading (voluntary submissions)	7	1012
Total	32	3386

Tourism authorities regularly report a shortage of international hotel brands available in the city. A recent industry report suggested that this represents a "superb time for investors in the hotel sector to choose Belfast – the city will need an estimated 1500 new bedrooms by 2020, as a result of the expansion of Belfast's waterfront, the wider anticipated growth in business tourism and further growth in leisure tourism". It is anticipated that this growth will provide opportunities for employment and profit.

(a) Explain the term **market size**, using the hotel sector in the city of Belfast as an example. [4]

(b) Analyse **two** ways in which the anticipated market growth of tourism might impact on the growth of the Bullitt Hotel. [8]

(c) Analyse **one** benefit to the Bullitt Hotel of undertaking each of the **three** market research methods discussed in the case study. [10]

(d) Evaluate the usefulness of completing a marketing plan to the management team of the Bullitt Hotel. [18]

THIS IS THE END OF THE QUESTION PAPER

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