



*Rewarding Learning*

**ADVANCED**

**General Certificate of Education**

**2023**

---

# **Business Studies**

**Assessment Unit A2 2**

*assessing*

**The Competitive Business Environment**



ABU21

**[ABU21]**

**THURSDAY 8 JUNE, AFTERNOON**

---

## **TIME**

2 hours.

## **INSTRUCTIONS TO CANDIDATES**

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

You are strongly recommended to spend 10 minutes reading all of the information sources **and** questions before writing your answers.

You may use a calculator.

Answer **all** questions.

## **INFORMATION FOR CANDIDATES**

The total mark for this paper is 90.

Quality of written communication will be assessed in Questions **4, 5** and **6**.

Quantitative skills will be assessed in Questions **1, 2** and **6**.

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 question or part question in allocating the available examination time.

---

Study the information in the case study and answer the questions that follow.

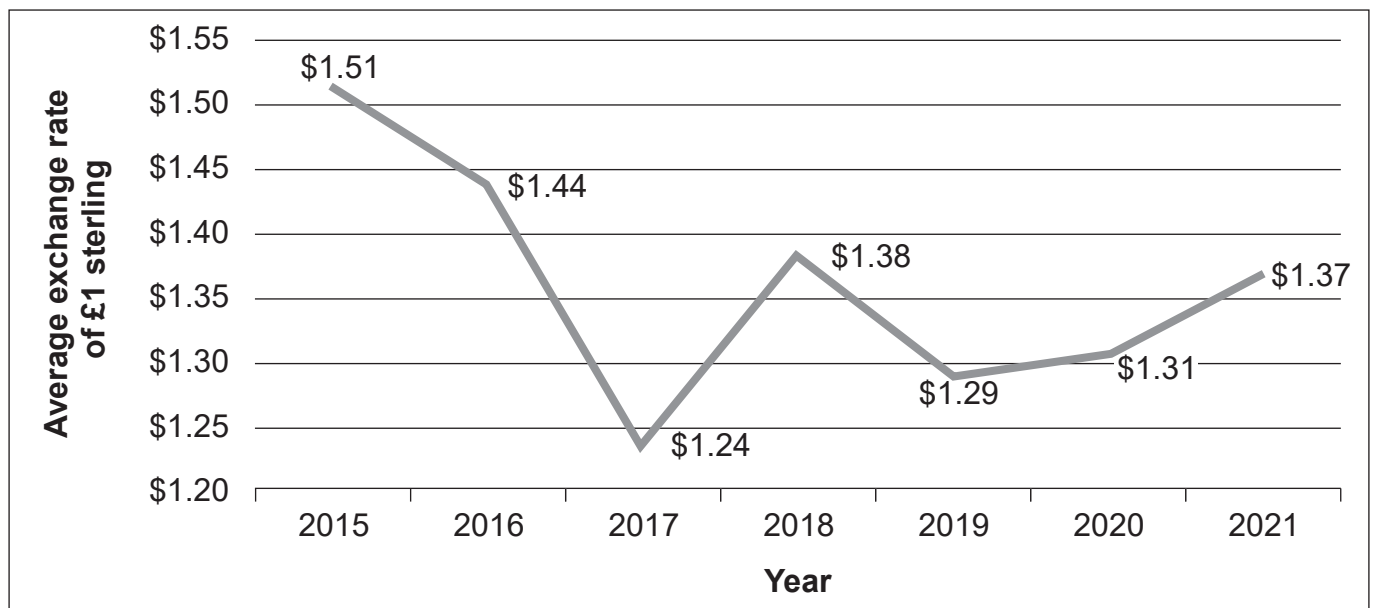
### Brett Martin Limited

Brett Martin Ltd, based in Newtownabbey Co Antrim, is one of Northern Ireland's most successful independent manufacturing companies. It is a world-class industry leader in the supply of specialist plastic products for the construction, fabrication, print and display sectors worldwide. Its product range includes plastic plates, sheets, tubes, thermoplastic sheeting and pipes. Brett Martin Ltd's breakdown of sales revenue by geographical area for 2019 is: Rest of World 13%, UK 23%, Europe 64%. Brett Martin Ltd has grown into a global brand, with over 50% of its manufactured products exported to distributors and customers in more than 70 countries.

Brett Martin Ltd is exposed to foreign exchange risk in the normal course of its business. Much of its sales revenue is in euros, US dollars and Australian dollars while its purchases are in euros and US dollars.

In **Fig. 1**, the graph compares the average exchange rate of £1 sterling to the American dollar over the years 2015 to 2021. The graph shows that sterling was strong in 2015 (\$1.51), but had weakened in 2021 (\$1.37).

**Fig. 1: Average sterling exchange rate against the US dollar 2015 to 2021**



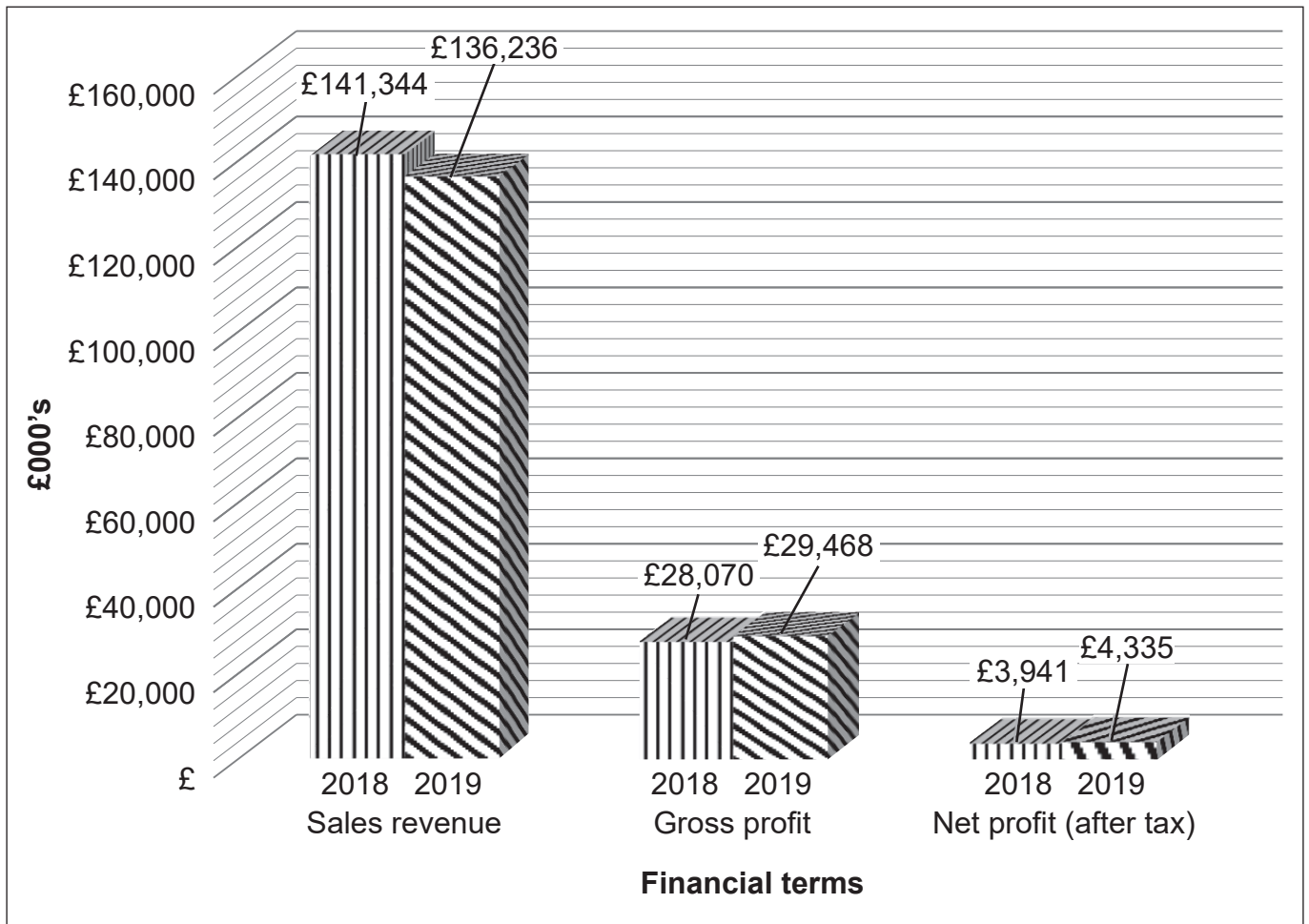
Brett Martin Ltd continues to seek every opportunity to fulfil its aim of increasing profitable turnover. In order to achieve this aim, Brett Martin Ltd must have a competitive advantage.

One area that helps management achieve a competitive advantage is Brett Martin Ltd's Management Information System (MIS). The MIS collects current internal and external data about the business environment. Relevant information is then circulated to Brett Martin Ltd's management teams to inform their decision making. This information is used by Brett Martin Ltd to gain a competitive advantage.

Its MIS core objective is to carry out regular strategic reviews including assessments of competitive activity, market trends, market forecasts, customer behaviour, product availability, costs and price fluctuations.

Detailed below in **Fig. 2** are excerpts from Brett Martin Ltd's financial statements for the two years ended 31 December 2018 and 31 December 2019. Brett Martin Ltd's management team uses ratio analysis to monitor its financial performance.

**Fig. 2: Comparative figures extracted from Brett Martin's income statements**



(Note: graph for illustrative purposes only; not to scale)

Throughout 2020/2021, Brett Martin Ltd's manufacturing site in Newtonabbey was operating beyond capacity due to increased demand for its products, especially since the government lockdown. The manufacturing plant requires additional space for new machinery and storage and distribution facilities, costing £6 million. The Board has been presented with a Lewin's Force Field Analysis Table (**Fig. 3**) to facilitate the decision-making process at board level. Lewin's Force Field Analysis provides an analysis of the driving forces that support the £6 million investment and the restraining forces that do not support the investment, based on the views of its stakeholders. The scores did not support the decision to pursue the £6 million investment.

**Fig. 3: Lewin's Force Field Analysis on the £6 million investment to cater for the increased demand**

<b>Driving forces</b>	<b>Mark</b>	<b>Restraining forces</b>	<b>Mark</b>
Increased demand due to the growth of its product range and increased export demand	9	£6 million investment carries substantial interest payments affecting profits/dividends	8
Additional storage space and distribution facilities required to cater for increased demand	9	Environmental issues affecting the local community	8
Machinery installations space for increased production levels	9	Pollution, building new plant, noise and traffic	8
New government regulations to reduce increased CO <sub>2</sub> emissions	5	Possible job losses with introduction of up-to-date machinery	7
		Local council issues regarding planning	6
		Build on new expensive alternative location	8
<b>Total</b>	<b>32</b>		<b>45</b>

Brett Martin Ltd believes in trading honestly and ethically. It is committed to maintaining the highest standard of ethical compliance in every country that it does business with. It also complies with all the specific laws and regulations of the countries, with respect to packaging, labelling and distribution.

Brett Martin Ltd believes that climate change is a global problem for manufacturers and that it is its ethical duty to reduce its contribution to global warming. Accordingly, Brett Martin Ltd is working towards a number of key objectives, in order to minimise the impact that its production processes and finished products have on the environment. Two key objectives include:

### **1 Reducing its consumption of energy and materials**

Brett Martin Ltd ensures that all recyclable waste materials are recycled. It recycles over 75% of its waste polycarbonate. Its products contain an element of recycled material which greatly increase its green credentials.

### **2 Using electricity from renewable energy sources**

Brett Martin Ltd owns its own solar power equipment onsite. It has also invested in a wind turbine and as a result has reduced its energy cost savings and thousands of tonnes of carbon emissions each year. Brett Martin Ltd also signed a 25-year agreement with energy giant Lightsource, sourcing a further 14% of its electricity energy requirement. Brett Martin Ltd now has 25% of its energy demands met through renewables.

The communities in which Brett Martin Ltd operates are central to its Corporate Social Responsibility (CSR) policy. Many of its employees are recruited from local communities and it wishes to develop strong relationships through communication and interaction with them. Brett Martin Ltd's business processes are reviewed regularly to ensure that they do not negatively impact on local communities.

Brett Martin Ltd's philanthropic activities include donating its products to local charitable organisations whose projects include affordable housing. Brett Martin Ltd also values the importance of education. It hosts regular school visits for local schools. It offers work experience to students and university graduates, enabling them to gain vital experiences of the manufacturing industry. Brett Martin Ltd's employees are also encouraged to take part in charitable activities.

Brett Martin's directors regularly review the impacts on its business and acknowledge it has been heavily impacted from trading globally: firstly from opportunities from increased global demand for its products and secondly from increased Brexit regulations. Each of these two impacts will have a different effect on Brett Martin Ltd's profitability.

During the Covid-19 pandemic, tens of millions of people across Europe found themselves in lockdown at home with time on their hands. With travel restrictions in place, many invested their holiday savings into global DIY projects, mainly exterior house repairs and garden projects. The major DIY retailers are reporting a 200% increase in demand for DIY products due to lockdown and Brett Martin Ltd is the leading supplier of DIY products.

The UK formally left the EU in 2021, which means that the UK is no longer a member of the EU's Single Market and Customs Union. There are now additional requirements on all UK business importers and exporters trading with the EU's 27 countries, including:

- new trade barriers which are many and varied;
- possible tariffs on certain goods, increasing the prices of exported and imported goods;
- customs documentation to accompany all product sales when exporting;
- VAT accounting arrangements, increasing the administrative costs to the exporter;
- additional administrative documents on product safety, packaging and labelling;
- higher administrative costs to all UK exporting and importing businesses.

These additional Brexit regulatory requirements may reduce Brett Martin Ltd's competitiveness as a UK exporter, decreasing its export sales revenue and ultimately its profits.

*Source:*

© Crown Copyright Adapted from <https://find-and-update.company-information.service.gov.uk/company/NI008627/filing-history>

Using the information provided and your own knowledge and understanding, answer all six questions. Show your workings as appropriate.

- 1 Calculate the following **two** financial ratios for Brett Martin Ltd for both 2018 and 2019 using the data included in **Fig. 2**. (You should show your calculations and state your answers to two decimal places.)
  - Gross profit %
  - Net profit (after tax) %[6]
  
- 2 Analyse **two** effects of the fluctuating exchange rates between UK Sterling (£) and US dollar (\$), as shown in **Fig. 1**, on Brett Martin Ltd's financial position. [9]
  
- 3 Evaluate the use of Lewin's Force Field Analysis as shown in the table in **Fig. 3** as a decision tool for Brett Martin Ltd's management team when assessing its £6 million expansion project. [15]
  
- 4 Evaluate Brett Martin Ltd's Corporate Social Responsibility (CSR) Policy using any **two** elements of Carroll's Corporate Social Responsibility Pyramid. [20]
  
- 5 Evaluate the management of information as a resource to improve competitive advantage by the management team of Brett Martin Ltd. [20]
  
- 6 Evaluate the impact on Brett Martin of trading globally. [20]

---

**THIS IS THE END OF THE QUESTION PAPER**

---



Permission to reproduce all copyright material has been applied for.  
In some cases, efforts to contact copyright holders may have been unsuccessful and CCEA  
will be happy to rectify any omissions of acknowledgement in future if notified.

Study the information in the case study and answer the questions that follow.

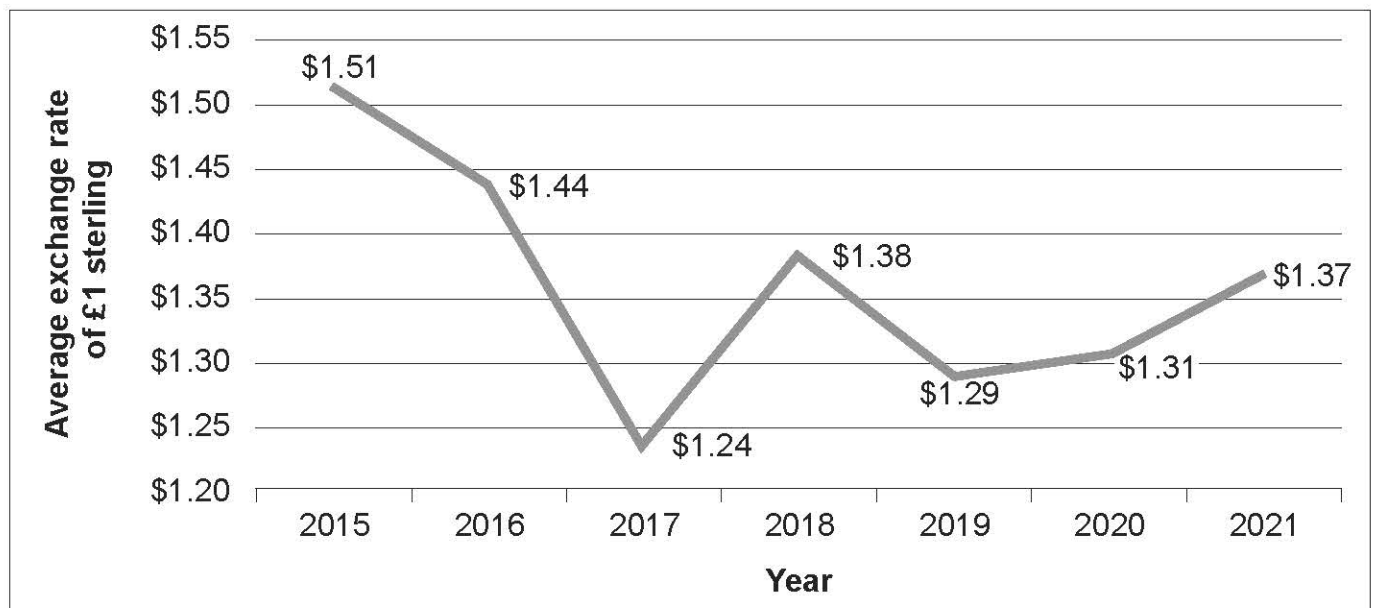
### Brett Martin Limited

Brett Martin Ltd, based in Newtownabbey Co Antrim, is one of Northern Ireland's most successful independent manufacturing companies. It is a world-class industry leader in the supply of specialist plastic products for the construction, fabrication, print and display sectors worldwide. Its product range includes plastic plates, sheets, tubes, thermoplastic sheeting and pipes. Brett Martin Ltd's breakdown of sales revenue by geographical area for 2019 is: Rest of World 13%, UK 23%, Europe 64%. Brett Martin Ltd has grown into a global brand, with over 50% of its manufactured products exported to distributors and customers in more than 70 countries.

Brett Martin Ltd is exposed to foreign exchange risk in the normal course of its business. Much of its sales revenue is in euros, US dollars and Australian dollars while its purchases are in euros and US dollars.

In Fig. 1, the graph compares the average exchange rate of £1 sterling to the American dollar over the years 2015 to 2021. The graph shows that sterling was strong in 2015 (\$1.51), but had weakened in 2021 (\$1.37).

Fig. 1: Average sterling exchange rate against the US dollar 2015 to 2021



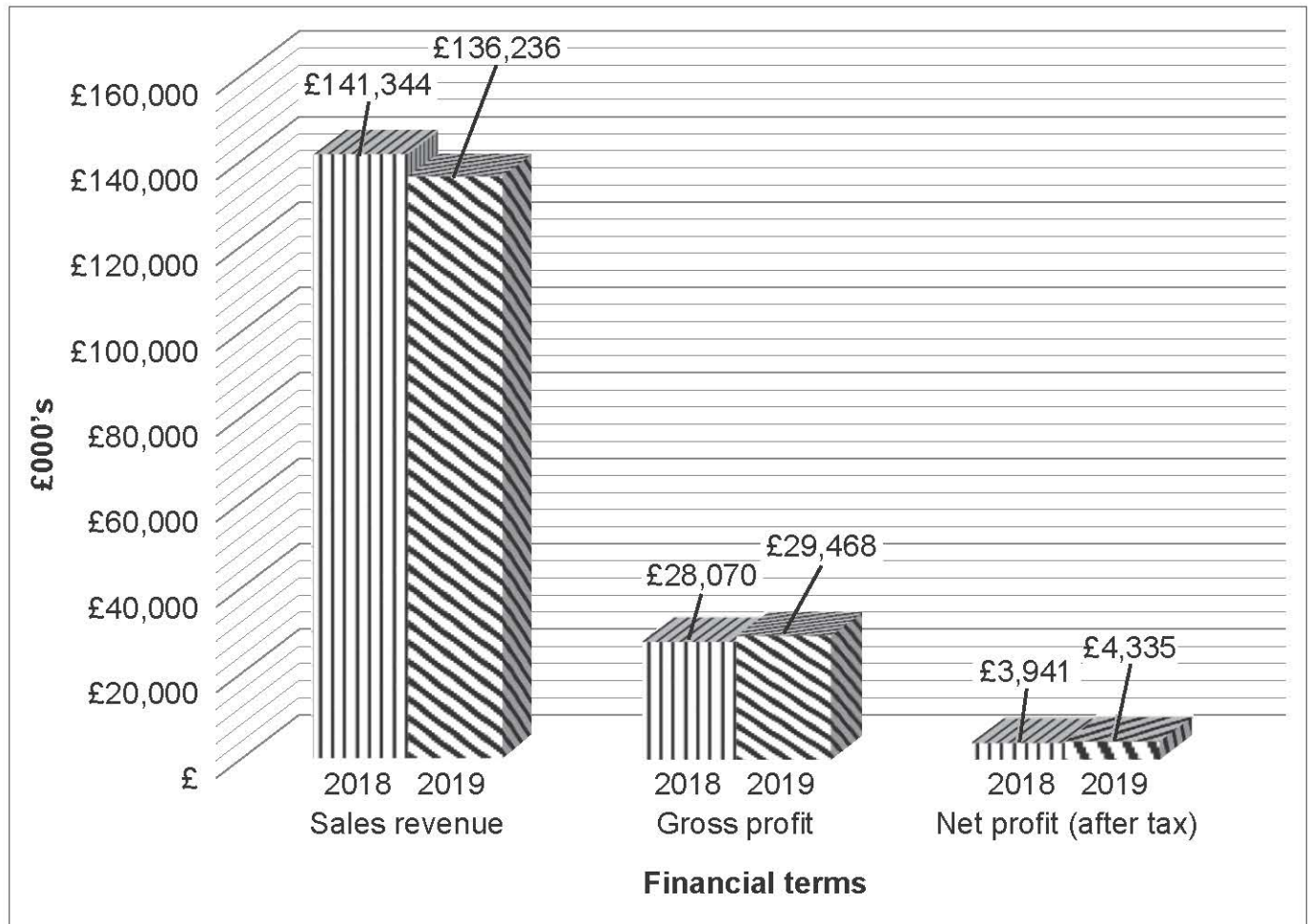
Brett Martin Ltd continues to seek every opportunity to fulfil its aim of increasing profitable turnover. In order to achieve this aim, Brett Martin Ltd must have a competitive advantage.

One area that helps management achieve a competitive advantage is Brett Martin Ltd's Management Information System (MIS). The MIS collects current internal and external data about the business environment. Relevant information is then circulated to Brett Martin Ltd's management teams to inform their decision making. This information is used by Brett Martin Ltd to gain a competitive advantage.

Its MIS core objective is to carry out regular strategic reviews including assessments of competitive activity, market trends, market forecasts, customer behaviour, product availability, costs and price fluctuations.

Detailed below in **Fig. 2** are excerpts from Brett Martin Ltd's financial statements for the two years ended 31 December 2018 and 31 December 2019. Brett Martin Ltd's management team uses ratio analysis to monitor its financial performance.

**Fig. 2: Comparative figures extracted from Brett Martin's income statements**



(Note: graph for illustrative purposes only; not to scale)

Throughout 2020/2021, Brett Martin Ltd's manufacturing site in Newtonabbey was operating beyond capacity due to increased demand for its products, especially since the government lockdown. The manufacturing plant requires additional space for new machinery and storage and distribution facilities, costing £6 million. The Board has been presented with a Lewin's Force Field Analysis Table (Fig. 3) to facilitate the decision-making process at board level. Lewin's Force Field Analysis provides an analysis of the driving forces that support the £6 million investment and the restraining forces that do not support the investment, based on the views of its stakeholders. The scores did not support the decision to pursue the £6 million investment.

**Fig. 3: Lewin's Force Field Analysis on the £6 million investment to cater for the increased demand**

<b>Driving forces</b>	<b>Mark</b>	<b>Restraining forces</b>	<b>Mark</b>
Increased demand due to the growth of its product range and increased export demand	9	£6 million investment carries substantial interest payments affecting profits/dividends	8
Additional storage space and distribution facilities required to cater for increased demand	9	Environmental issues affecting the local community	8
Machinery installations space for increased production levels	9	Pollution, building new plant, noise and traffic	8
New government regulations to reduce increased CO <sub>2</sub> emissions	5	Possible job losses with introduction of up-to-date machinery	7
		Local council issues regarding planning	6
		Build on new expensive alternative location	8
<b>Total</b>	<b>32</b>		<b>45</b>

Brett Martin Ltd believes in trading honestly and ethically. It is committed to maintaining the highest standard of ethical compliance in every country that it does business with. It also complies with all the specific laws and regulations of the countries, with respect to packaging, labelling and distribution.

Brett Martin Ltd believes that climate change is a global problem for manufacturers and that it is its ethical duty to reduce its contribution to global warming. Accordingly, Brett Martin Ltd is working towards a number of key objectives, in order to minimise the impact that its production processes and finished products have on the environment. Two key objectives include:

### **1 Reducing its consumption of energy and materials**

Brett Martin Ltd ensures that all recyclable waste materials are recycled. It recycles over 75% of its waste polycarbonate. Its products contain an element of recycled material which greatly increase its green credentials.

### **2 Using electricity from renewable energy sources**

Brett Martin Ltd owns its own solar power equipment onsite. It has also invested in a wind turbine and as a result has reduced its energy cost savings and thousands of tonnes of carbon emissions each year. Brett Martin Ltd also signed a 25-year agreement with energy giant Lightsource, sourcing a further 14% of its electricity energy requirement. Brett Martin Ltd now has 25% of its energy demands met through renewables.

The communities in which Brett Martin Ltd operates are central to its Corporate Social Responsibility (CSR) policy. Many of its employees are recruited from local communities and it wishes to develop strong relationships through communication and interaction with them. Brett Martin Ltd's business processes are reviewed regularly to ensure that they do not negatively impact on local communities.

Brett Martin Ltd's philanthropic activities include donating its products to local charitable organisations whose projects include affordable housing. Brett Martin Ltd also values the importance of education. It hosts regular school visits for local schools. It offers work experience to students and university graduates, enabling them to gain vital experiences of the manufacturing industry. Brett Martin Ltd's employees are also encouraged to take part in charitable activities.

Brett Martin's directors regularly review the impacts on its business and acknowledge it has been heavily impacted from trading globally: firstly from opportunities from increased global demand for its products and secondly from increased Brexit regulations. Each of these two impacts will have a different effect on Brett Martin Ltd's profitability.

During the Covid-19 pandemic, tens of millions of people across Europe found themselves in lockdown at home with time on their hands. With travel restrictions in place, many invested their holiday savings into global DIY projects, mainly exterior house repairs and garden projects. The major DIY retailers are reporting a 200% increase in demand for DIY products due to lockdown and Brett Martin Ltd is the leading supplier of DIY products.

The UK formally left the EU in 2021, which means that the UK is no longer a member of the EU's Single Market and Customs Union. There are now additional requirements on all UK business importers and exporters trading with the EU's 27 countries, including:

- new trade barriers which are many and varied;
- possible tariffs on certain goods, increasing the prices of exported and imported goods;
- customs documentation to accompany all product sales when exporting;
- VAT accounting arrangements, increasing the administrative costs to the exporter;
- additional administrative documents on product safety, packaging and labelling;
- higher administrative costs to all UK exporting and importing businesses.

These additional Brexit regulatory requirements may reduce Brett Martin Ltd's competitiveness as a UK exporter, decreasing its export sales revenue and ultimately its profits.