



Rewarding Learning

ADVANCED  
General Certificate of Education  
2025

Centre Number

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Candidate Number

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# Business Studies

Assessment Unit A2 2

*assessing*

The Competitive

Business Environment



[ABU21]

\*ABU21\*

**THURSDAY 5 JUNE, MORNING**

### TIME

2 hours.

### INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number in the spaces provided at the top of this page.

**You must answer the questions in the spaces provided. Answer all questions.**

**Do not write outside the boxed area on each page or on blank pages.**

Complete in black ink only. **Do not write with a gel pen.**

### INFORMATION FOR CANDIDATES

The total mark for this paper is 90.

Quality of written communication will be assessed in Questions **3, 4, 5** and **6**.

Quantitative skills will be assessed in Questions **3** and **4**.

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. You may use a calculator.

This paper is accompanied by a Case Study Booklet.

### ADVICE TO CANDIDATES

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

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\*20ABU2102\*





Answer **all** questions

Read the Case Study (Baked plc) and answer the questions that follow.

1 Explain **two** diseconomies of scale which may arise as a result of the growth of Baked plc.

[6]

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\*20ABU2107\*









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\*20ABU2111\*

- 5 Evaluate the strategies to overcome resistance to change in New Bridge Food plc, using the information in the case study. [20]

**Quality of written communication will be assessed in this question.**

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For Examiner's use only	
Question Number	Marks
1	
2	
3	
4	
5	
6	

<b>Total Marks</b>	
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Examiner Number

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# **Business Studies**

Assessment Unit A2 2  
*assessing*

The Competitive Business Environment

**[ABU21]**

**THURSDAY 5 JUNE, MORNING**

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**CASE STUDY**  
**BOOKLET**

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Read the following information and answer Questions 1 to 6 in the question and answer booklet.

### Baked plc

New Bridge Food plc, founded in 1968 by George Wallace, has grown to be a leading name in the bakery trade. The company employs 251 staff and is a manufacturer of ingredients to the bakery and general food industries across the UK, Europe and Asia.

New Bridge Food plc began trading by producing fresh ready-made fruit toppings and sauces for local bakeries in County Antrim. Over the years the company steadily grew production capacity to incorporate fruit pie fillings and cheesecake toppings, and in 2002, it widened its product portfolio and moved into the production of jams and spreads, enabling the company to increase market share.

New Bridge Food plc has built an extensive and varied customer base, from selling to small local home bakers and retail bakeries, to bulk production for the large-scale industrial bakeries and global supermarkets. As the company has grown, financial performance has improved. Financial excerpts from New Bridge Food plc are given in **Table 1** below:

**Table 1: Financial data of New Bridge Food plc**

Excerpt	31 December 2022 (£)	31 December 2023 (£)
Sales revenue	121,200,000	127,800,000
Net profit before taxation	1,953,514	2,400,000

During 2024, New Bridge Food plc was purchased for £200 million by Baked plc through a hostile takeover. The directors of New Bridge Food plc initially objected to the takeover by Baked plc as they felt it undervalued the company. Baked plc is owned by 489 000 shareholders, the majority of whom voted and agreed with the decision to acquire New Bridge Food plc.

Baked plc is a leading supplier of bakery ingredients and finished products, ranging from flour and butter, to cake mixes and frozen pastries. The company supplies throughout England, providing independent bakers and caterers with products from a wide range of suppliers and its own range – The Pantry. It has manufacturing plants in Newcastle upon Tyne and Birmingham, and employs 3380 staff across its two sites. The company generated revenues for the year ending December 2023 of £530 million and reported a net profit of £53 million for the period.

Baked plc is committed to long-term sustainable development, which is supported by the high standards outlined in its code of ethics. The company sources products such as sugar and cocoa from Fairtrade suppliers and recently introduced measures to ensure all waste paper and plastic are recycled, as well as food waste. Baked plc operates to a set of quality and ethical standards and, as a minimum, expects its employees and suppliers to work to its terms of trade. This ensures it meets industry standards and maintains its reputation of providing high-quality bakery ingredients. Although, this will result in increased costs for Baked plc.

New Bridge Food plc has had a long-standing relationship with Baked plc both as a customer and supplier for over 30 years. The management team of Baked plc believes the takeover was a natural integration that benefits both companies and would enable them to:

- build on their customer-focused approach; and
- facilitate the delivery of a greater choice of options and benefits to their loyal customer base.

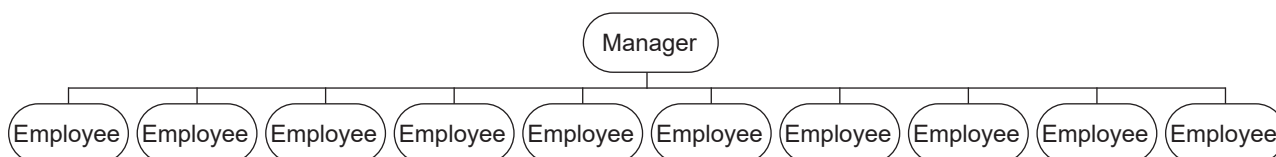
Baked plc is confident the hostile takeover will lead to higher revenues, and increase the company's market share, due to access to a wider customer base. The management team of Baked plc understands the process will take time and is cautious to integrate New Bridge Food plc into the culture of Baked plc slowly, to reduce the risk of diseconomies of scale that may arise.

The additional business resources and skills from the hostile takeover provide Baked plc with the ability to accelerate innovation and drive international growth. This will allow the company to move forward with its strategy of offering a variety of high-quality products and exploring new market segments.

Expanding into new international markets offers Baked plc the opportunity to grow more easily and quickly, while spreading the risk. Through the integration of New Bridge Food plc's product portfolio with Baked plc, the company is able to diversify its offerings and enhance its competitive advantage. New Bridge Food plc's expertise in bakery products complements the current portfolio of Baked plc and opens up a wide range of cross-selling opportunities, where reductions in costs per unit can be achieved through an increase in output, due to the ability to order supplies in bulk.

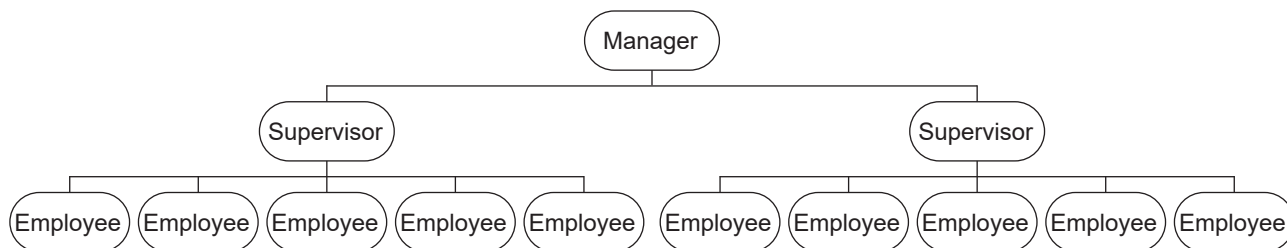
The hostile takeover will provide Baked plc with substantial operational advantages, including optimised supply chains, shared resources and enhanced production capabilities, where production activities can be completed by specialists allowing for increased productivity.

New Bridge Food plc had a culture of operating in a flat organisation structure, where managers were responsible for wide spans of control of up to 10 employees. Management of New Bridge Food plc had become accustomed to the fewer levels of reporting, resulting in a more flexible approach. This led to the empowerment of employees as they had more responsibility, delegation and decision-making power, although some managers in the past did not provide adequate support to employees leading to decreased morale and job dissatisfaction. **Fig. 1** below illustrates the wide span of control of a manager at New Bridge Food plc.



**Fig. 1: New Bridge Food plc wide span of control**

Baked plc operates from a tall hierarchical structure, with narrow spans of control, where on average no more than five employees report to a supervisor within their department. Managers of each department are responsible for delegating to two supervisors. This allows the managers to have closer supervision of staff across the two sites, which helps to improve communication as managers are able to supervise more closely, although this is more expensive for Baked plc, due to the higher number of management salaries (which start at £40,000 per annum). The company believes the narrow spans of control will allow for greater development, growth and promotional opportunities in the company. **Fig. 2** below illustrates the narrow span of control of a manager at Baked plc.



**Fig. 2: Baked plc narrow span of control**

Employees of New Bridge Food plc have expressed concern about the hostile takeover and shown resistance to the change. They fear changes to the current management structure and organisational hierarchy will impact the short chain of command and wide spans of control embedded within the culture of the company. Some employees are worried they could lose their job should Baked plc decide to restructure the company. This has caused a decline in employee morale, which is at an all-time low.

Strategies used to overcome the resistance to change involved the management team of Baked plc holding a meeting with the employees of New Bridge Food plc where they raised awareness of the change initiative, the reasons behind the change and the potential benefits it would bring to both companies.

Also, the management team of Baked plc communicated to stakeholders that the hostile takeover would open up new markets for Baked plc in Northern Ireland and beyond, offering significant growth opportunities, which the company intends to build upon and expand. The management team explained to staff that the change will secure jobs in the short term.

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**THIS IS THE END OF THE CASE STUDY BOOKLET**

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