



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2024

Centre Number

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Candidate Number

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Business Studies

Assessment Unit AS 2

assessing

Growing the Business

MV18

[SBU21]

FRIDAY 24 MAY, AFTERNOON

Time

1 hour 30 minutes, plus your additional time allowance.

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.

Do not write on blank pages.

Complete in black ink only.

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 2 parts (a) and (d).

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. 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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(Questions start overleaf)

Read Case Study 2 (Chocco) and answer the questions that follow.

2 (a) (i) Explain what is meant by the term break-even using an example from the case study. [2 marks]

(ii) Explain how a 10% increase in fixed costs would impact the break-even point. [2 marks]

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(Questions continue overleaf)

This is the end of the question paper

For Examiner's use only	
Question Number	Marks
1(a)	
1(b)	
1(c)	
1(d)	
2(a)	
2(b)	
2(c)	
2(d)	
Total Marks	

Examiner Number

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Case Study Booklet

Case Study 1

Read the following information and answer **Questions 1(a) to (d)** in the answer booklet.

Top Fash

Paul Winters is the owner of Top Fash, a successful independent retail store in Belfast city centre, which specialises in ladies fashion. It sells a range of high-quality clothes aimed at an older, high income market segment. The shop is in a prime location paying high levels of annual rent and rates. Paul employs six full-time and four part-time workers.

The business has a loyal customer base, generating reasonable profit levels in recent years. Paul is now concerned for the survival of Top Fash. Falling sales and rising expenses have caused the business to experience severe cash flow difficulties over the last six months. He realises that this situation cannot be allowed to continue in the longer term.

Paul is considering the possibility of improving his profits and cash flow through relocating his store to just outside the city centre. The new store would be considerably smaller so stock levels would have to be reduced, but the savings in rent and rates would be substantial. Paul knows that the area around the new store would have a lower footfall than his present location. Top Fash would have to rely heavily on existing customers and increased advertising to promote the new location. Paul would also require customers to spend more in store than is currently the case.

Paul is also considering the possibility of closing down the city centre shop completely, moving to an out-of-town site and operating only as an e-commerce business by selling on the internet. This would give Paul access to a worldwide market, which could lead to increased sales revenue; however, he would need to invest £15 000 to set up his e-commerce business. Paul is also aware that he needs to ensure a highly effective supply chain so that he can guarantee customer orders in a timely manner.

In order to try to increase sales and profits, Paul has decided to carry out some primary market research. He wants to find out customer opinions on the range of products currently sold in Top Fash and how it might be improved. To achieve this, he has designed a questionnaire which he intends to distribute to one hundred of his loyal customers. This will allow Paul to ask open and closed questions that are specific to Top Fash. Paul is aware that results may not be entirely accurate due to bias.

Case Study 2

Read the following information and answer **Questions 2(a) to (d)** in the answer booklet.

Chocco

Joan has recently returned to Northern Ireland after spending three years in Belgium managing a chocolate factory. She has now decided to use her experience by setting up her own business called “Chocco” with the aim of producing high-quality, hand made chocolate bars. Although Joan wants her chocolate bars to be enjoyed by everyone, she intends that her target market will initially be those customers choosing a vegan lifestyle*.

(*Vegan customers do not eat any food derived from animals and typically do not use other animal products.)

Joan plans to substitute cow’s milk in her chocolate recipe with alternative milks derived from almonds, hazelnuts and oats. These substitute ingredients achieve an almost identical taste and texture to that of cow’s milk in the chocolate bars. Joan is considering other possibilities that exist for her to segment the market even further, including a range of different flavours for children and packaging that appeals to males and females.

Joan has investigated renting small premises which will enable her to make up to 600 chocolate bars per week. These would be sold at £3 each, a competitive price necessary to help her break into the market. She has also researched the costs which will be involved in her business. Key financial data for Chocco is set out in **Table 1** and key production information in **Table 2**.

Table 1: Key financial data for Chocco

Selling price per chocolate bar	£3.00
Variable costs per chocolate bar	£1.00
Fixed costs per week	£200.00
Projected total sales revenue per week	£1800.00

Table 2: Production information

Maximum output per week	600 bars
Break-even output per week	100 bars
Margin of safety per week	500 bars

Joan is considering applying for a start-up loan for Chocco. She explained her plans to Amelia, her bank manager. Amelia was impressed by Joan's plan, but was concerned about the cash flow implications for Chocco of relying on a single product during the introduction stage of the product life cycle.

Amelia was pleased to see that Joan had researched the costs of the business. She recommended that Joan carry out a break-even analysis for Chocco.

This is the end of the Case Study Booklet

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