



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2019

Business Studies

Assessment Unit AS 2
assessing
Growing the Business



SBU21

[SBU21]

THURSDAY 23 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 2 parts (a), (b) 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.

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

Jet2Holidays

Text and Fig.1 removed due to copyright

Adapted from sources: Dart Group plc, <https://jaywing.com/work/how-personalisation-can-increase-sales>; www.statista.com

- (a) Explain the **Introduction Stage** of the product life cycle, using Jet2Holidays as an example. [4]
- (b) Using the information in the case study, analyse **two** factors which might determine the degree of competition in the holiday market. [8]
- (c) Analyse **three** benefits to Jet2Holidays of using mobile technology to increase market share. [10]
- (d) Evaluate each of the extension strategies identified in the case study, which are aimed at ensuring that Jet2Holidays continues to remain competitive. [18]

Read the following information and answer the questions that follow.

2

Groomin' Gorgeous

Paul and Cathy Grimes live in Groomsport, County Down. They converted their garage to set up a part-time dog grooming business three years ago.

Groomin' Gorgeous proved very popular and over time the couple built up a loyal customer base due to their hard work, the excellent reviews posted on their website and word of mouth recommendations.

Paul analysed his financial statements for the year ended 31 December 2018 and extracted the information summarised in **Table 1** below:

Table 1: Groomin' Gorgeous Costs and Revenue data – 31 December 2018

| | |
|---|----------------|
| Sales Revenue per treatment | £25 |
| Total number of groomed animals in 2018 | 1180 |
| Fixed Costs per annum | £3,500 |
| Variable Costs per treatment | £15 |
| Contribution per treatment | £10 |
| Breakeven Point | 350 treatments |
| Profit for Year 2018 | £8,300 |

Paul and Cathy are investigating ways in which to grow the business. Market research points to a new potential dog grooming market in the rural areas. Based on these findings they have decided to introduce a mobile dog grooming service in 2019 to service their new customers who live in rural areas. This new service will require the leasing of a new vehicle with annual leasing payments of £2,400. They also plan to employ two part-time staff to support the new mobile dog grooming service.

Both Paul and Cathy agree that the new mobile dog grooming service must be heavily promoted to communicate the benefits of this new service to customers. They have decided to promote the new service in the most inexpensive ways, including: business cards, vehicle wrap advertising placed on the new vehicle, social media, including Facebook and Twitter, mobile phones, own website and blogs and writing articles in their local newspapers about their business.

In planning Groomin' Gorgeous activities for 2019, Paul completed a fixed budget as shown in **Table 2**. The costs are based on Paul's own knowledge of the dog grooming market.

Table 2: Estimated Fixed Budget (2019) – Groomin’ Gorgeous

| | Budget Estimation based on: | 2019 Budget £ |
|----------------------|------------------------------------|--------------------------|
| Sales Revenue | 1400 customers × £25 per Treatment | 35,000 |
| Materials – Shampoo | 1400 customers × £15 per Treatment | 21,000 |
| Less Expenses | | |
| Wages | Part-time staff for New Vehicle | 5,200 |
| Leasing | Van Leasing Payments | 2,400 |
| Website Costs | Upkeep of Website | 1,000 |
| Vehicle Expenses | Tax, Insurance and Repairs | 1,100 |
| | | |
| Estimated Profit | | 4,300 |

In light of the decrease in estimated profits, Cathy has asked Paul to review the fixed budget, giving consideration to her concerns below:

- material cost decreases have been ignored;
- sales prices have been left unchanged at £25 per treatment; and
- only an additional 220 customers have been included in the budget for 2019.

Cathy believes that with a review of the fixed budget, the actual profit for Groomin’ Gorgeous should ultimately be greater than the profits estimated (**Table 2**).

- (a) Explain the term **leasing** using an example from the case study. [4]
- (b) Analyse **two** ways in which Groomin’ Gorgeous can increase contribution per treatment (as shown in **Table 1**). [8]
- (c) Analyse **three** promotional methods that Groomin’ Gorgeous could use to promote the new mobile dog grooming service. [10]
- (d) Evaluate the usefulness of fixed budgeting as an aid to financial planning in Groomin’ Gorgeous. [18]

THIS IS THE END OF THE QUESTION PAPER

Sources

Q2.....Examiner

Table 1.....Examiner

Table 2.....Examiner

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