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Pearson Edexcel
Level 3 GCE

Centre Number

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Business

Advanced

Paper 2: Business activities, decisions and strategy

Monday 19 June 2017 – Morning

Time: 2 hours

Paper Reference

9BS0/02

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- You may use a calculator.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

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Pearson

Answer ALL questions.

SECTION A

Read the following Extracts (A to D) before answering Question 1.

Write your answers in the spaces provided.

Extract A

Morrisons' mission statement

We like to think there's more to Morrisons than just numbers. We're proud to be a business that still believes in values: human, ethical, and ecological.

Fresh attitudes and firm principles help make us what we are. Plenty of companies write mission statements, but at Morrisons the words mean something. We're one team all sharing the same vision, committed to pulling together, whilst respecting the differences that make each person different and special.

(Source: adapted from <http://www.morrisonsgraduates.com/why-morrisons/our-values>)

Extract B

Selected information from Morrisons' 2015 Annual Report

	2015 (£m)	2014 (£m)
Current assets: Inventory (stock)	658	852
Debtors	239	316
Cash	241	261
Total current assets	1138	1429
Total current liabilities	2273	2873
Pre-tax profit	217	792

(Source: adapted from http://www.morrisons-corporate.com/ar2015/pdf/Morrisons_AR_2014_Financial_statements.pdf)

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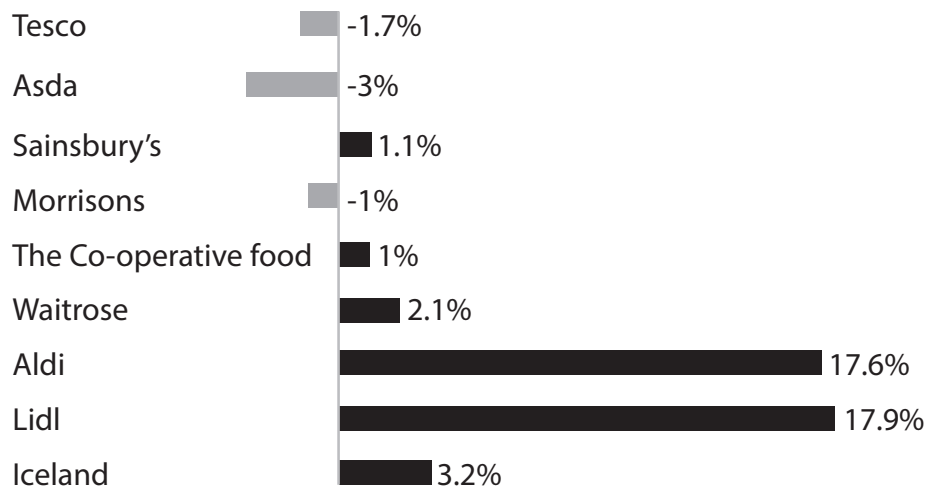
Extract C

Supermarket market share in 2015

Supermarket	Market share %
Tesco	28.5
Asda	16.2
Sainsbury's	16.1
Morrisons	11.0
The Co-operative food	5.9
Waitrose	5.2
Lidl	4.3
Aldi	5.6
Iceland	2.2
Others	5.0

(Source: adapted from <http://www.kantarworldpanel.com/en/grocery-market-share/great-britain>)

Changes in supermarket market share in 2015



(Source: adapted from <http://www.cityam.com/226919/trouble-for-the-big-four-as-aldi-and-lidl-growth-speeds-up-again->)



Extract D

Morrisons' improved performance

Morrisons' revenue and share price have increased for the first time in almost four years, as new boss David Potts shared his vision for turning around the struggling supermarket. Since his appointment, he has replaced several of Morrisons' directors and sold off 140 of its convenience stores.

5

Morrisons suffered from declining sales as a fall in consumer incomes meant that shoppers moved their spending to the discounters, such as Aldi and Lidl. David Potts responded to this by cutting prices with the 'I'm cheaper' campaign.

Consumer research reveals that whilst cheap prices have an influence on supermarket choice, the overall customer experience, such as range and quality of products, store layout and service, all play a part.

10

Changes in society, such as an ageing population and more single person households, have resulted in customers making more frequent grocery trips. Furthermore, consumer confidence has improved recently due to continued low interest rates and falling energy prices.

15

(Sources: adapted from <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/11708744/Morrisons-grows-market-share-for-first-time-since-2011.html> and <http://www.morrisons-corporate.com/ar2015>)

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1 (a) Explain how Morrisons may benefit from having a mission statement.

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(b) Using the data in Extract B, calculate the difference in Morrisons' acid test ratio between 2014 and 2015. You are advised to show your working.

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(c) Assess the likely effects on a business, such as Morrisons, of a more competitive environment.

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(d) Assess whether the transformational leadership shown by David Potts is the main cause of Morrisons' improved performance.

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Morrisons aims to regain its market share. The two options the management are considering are either to cut prices further, or to improve its overall customer experience.

- (e) Evaluate these **two** options and recommend which option might be preferred by Morrisons' shareholders.

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(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS



SECTION B

Read the following extracts (E to H) before answering Question 2.

Write your answers in the spaces provided.

Extract E

Smoothie operators sell out to Coca-Cola

In 2009, Innocent Drinks Ltd raised £30m, to fund its expansion plans, by selling 18% of its shares to Coca-Cola, the world's biggest soft drinks company.

At the time, the owners felt that Coca-Cola's funds and 120 years of business experience distinguished it from two other fund-raising offers on the table. "They're only a minority investor, but we can also draw on their expertise for advice", said Richard Reed, one of the owners. 5

However, for some Innocent customers, going into business with a fizzy drinks company, which put eight teaspoons of sugar into each can of its best-selling drink, may not have been seen as an ideal investor for a social enterprise which prided itself on its wholesomeness and independence. 10

In February 2013, Coca-Cola increased its shareholding to 90% of Innocent Drinks Ltd and took over full control.

(Source: adapted from <http://www.independent.co.uk/life-style/food-and-drink/news/smoothie-operators-sell-out-to-coke-1664439.html> 6 April 2009)

Extract F

Production data for soft drinks manufacturers A and B

Manufacturer	Current output (units)	Maximum output (units)
A	250,000	500,000
B	400,000	500,000



Extract G

AG Barr gets a taste for cocktails and snaps up Funkin

In February 2015, AG Barr, the soft drinks company that makes Irn Bru, bought cocktail mixer business Funkin in a deal worth up to £21m. The Scottish-based business acquired Funkin for £16.5m in cash, and could pay a further £4.5m if the business hits its performance targets. AG Barr said the deal would take it into a new expanding market, as consumers seek different tastes.

5

To boost sales of Funkin's products, AG Barr plans to use its own distribution network. Roger White, Chief Executive of AG Barr, said: "We have a proven track record of acquiring and developing high-growth brands and, under our ownership, we believe Funkin is even more strongly positioned to take advantage of a number of exciting growth opportunities."

10

(Source: adapted from <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/leisure/11385088/AG-Barr-gets-a-taste-for-cocktails-and-snaps-up-Funkin.html>)

Extract H

Unilever Sustainable Living Plan 2016

Unilever plc is a leading global producer of food, home and personal care products. Its many well known brands include Lipton tea, Persil washing powder, Domestos bleach and Sure deodorant. "The Unilever Sustainable Living (USL) Plan is our main strategy for achieving our vision to double the size of the business, whilst reducing our environmental footprint and increasing our positive social impact. The USL Plan sets targets to be achieved by 2020 and includes how we source raw materials and how consumers use our brands. The scale of our ambition means that we are finding new ways to form partnerships with business, government and society" said Paul Polman, Chief Executive.

5

10

Unilever attracts many investors who prefer to invest ethically. However, there is always a concern that a long-term focus on sustainability might be unattractive to some investors.

(Source: adapted from <https://www.unilever.com/sustainable-living/>)

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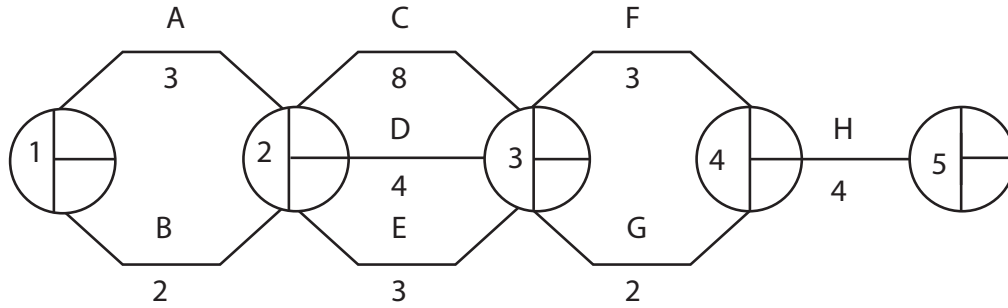
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2 Innocent Drinks has constructed the network diagram below to plan the launch of a new line of smoothies. Each number represents how many days each activity is estimated to take.



(a) Using the data in the network diagram above, calculate the Earliest Start Times (EST) and Latest Finishing Times (LFT) for each activity and identify the critical path.

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(b) Using the data in Extract F, explain **one** implication of the level of capacity utilisation for the soft drinks manufacturer A, compared to B. You are advised to show your working.

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(c) Assess whether Innocent Drinks Ltd should have raised finance by selling a minority of its shares to a business, such as Coca-Cola.

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(d) Assess the likely effects for AG Barr of taking over Funkin, the cocktail mixer business.

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- (e) Unilever's Chief Executive believes that Unilever should aim to consider all of its stakeholders in its main business decisions. Some business analysts consider that Unilever should instead consider an aim of focusing purely on its shareholders.

Evaluate these **two** aims and recommend which is most suitable for a business, such as Unilever.

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(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS
TOTAL FOR PAPER = 100 MARKS



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