Surname	Centre Number	Candidate Number
Other Names		2

GCE AS

B510U20-1

S19-B510U20-1

BUSINESS – AS component 2
Business Functions

THURSDAY, 23 MAY 2019 – AFTERNOON

2 hours

	For Examiner's use only		
	Question	**Maximum Mark**	**Mark Awarded**
Section A	**1.**	**22**	
	2.	**19**	
	3.	**14**	
Section B	**4 or 5 or 6**	**25**	
	Total	**80**	

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ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** questions in Section A.

Answer **one** question from Section B.

Write your answers in the spaces provided in this booklet.

If you run out of space, use the continuation pages at the back of the booklet, taking care to number the question(s) correctly.

You are advised to spend no more than 80 minutes on Section A.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

You are reminded of the necessity for good English and orderly presentation in your answers.

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SECTION A

Answer **all** *questions from this section.*

1. Working in McDonald's

McDonald's is offering 115 000 UK employees on **zero-hours contracts** the option of moving to fixed hour contracts. McDonald's has been one of the biggest users of zero-hour contracts in the UK, and in August 2017 two outlets voted for strike action over contract concerns.

Paul Pomroy, the boss of McDonald's UK, said the company was changing its employment policy. This was after staff told him they were struggling to get loans and mobile phone contracts because they are not guaranteed working hours each week. This change comes after a 15% pay increase given to employees paid by the hour since 2015. By the end of 2017, the company had offered employees the option of moving to fixed contracts, guaranteeing a minimum of up to 35 hours per week.

McDonald's had 100 outlets in the UK in the 1980's and now have over 1 200 outlets. Throughout their growth McDonald's used a mixture of **internal** and **external recruitment**. Each employee receives health and safety and induction training. In addition to this, other training opportunities are offered to employees, including a business management degree apprenticeship programme, enabling internal promotions.

McDonald's encourage team working within each outlet to ensure customers receive their orders quickly. Other benefits employees receive include; 28 days paid holiday leave per year; a pension scheme; financial bonuses to those who remain at McDonald's for more than 5 years; employee of the month recognition and free meals whilst working. McDonald's value the importance of employee motivation.

Sources used: http://www.bbc.co.uk
https://www.theguardian.com
https://people.mcdonalds.co.uk/job-search/

(a) What is meant by the term *zero-hours contracts*? [2]

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(b) Outline how McDonald's use Maslow's hierarchy of needs. [4]

(c) Evaluate McDonald's decision to use a mixture of *internal* and *external recruitment*. [8]

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(d) Discuss the impact of a motivated workforce on businesses. [8]

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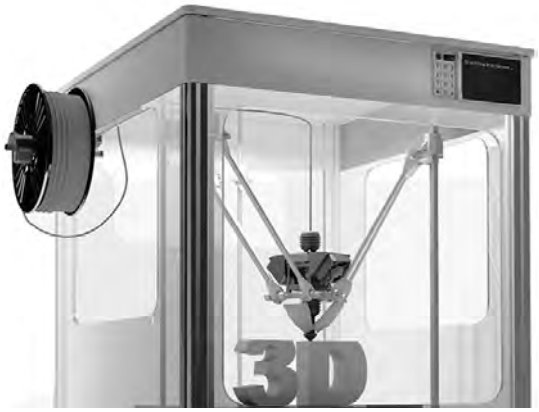
2. Expansion at Eddie's 3D



Eddie Edwards owns and manages a small successful sole trader 3D printing company based in Essex. 3D printing involves creating three dimensional objects based on **computer aided design (CAD)** technology linked to 3D printing devices. Eddie creates 3D objects from car and plane parts to medical equipment such as hearing aids. The industry is growing due to improvements in technology which makes printing objects and parts cheaper than importing them from abroad.

As a manager, Eddie values the contribution of his employees who receive regular training and above average pay. Eddie believes that the success of his business is down to the empowerment of his workforce, who often contribute to improvements in production and product designs.

(a) Outline how *computer aided design (CAD)* can be used by businesses. [2]

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(b) Describe Eddie's management style according to McGregor (Theory X or Y manager). [4]

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Due to the growth in demand, Eddie needs to purchase more 3D printing equipment worth £50 000. Eddie has researched three different ways to raise the finance needed shown in **Extract 1 and 2** below:

Extract 1: Costs of possible sources of finance

Source of finance	5 year cost information
Leasing	A 3D printer supplier has offered to lease Eddie the equipment for 5 years. It will cost Eddie £11 200 per year (total cost of £56 000 for 5 years).
Share Capital	Eddie's friend Muhammad is willing to provide Eddie £50 000 for a 1/3 share of the business and profits made, turning the business into a partnership. Eddie expects to make a total profit of £144 000 over 5 years.
Bank Loan	A bank has offered Eddie a £50 000 loan. This loan will be repaid over 5 years with a total additional interest of 25% on the original loan amount.

Extract 2: Other information regarding the choice of finance

Leasing: The 3D printer supplier will expect the equipment back after 5 years. After 5 years the business can take out a new lease on new equipment for the same yearly cost of £11 200.

Share Capital: Muhammad will keep his 1/3 share in the business and profits made after 5 years. After this period profits are expected to double to £57 600 per year.

Bank Loan: Eddie will own the equipment after 5 years. However, he has unlimited liability and will use his personal home as a form of security against the bank loan if payments cannot be made.

(c) What is meant by the term *leasing*? [2]

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(d) (i) Using **Extract 1**, calculate the total amount of profit Muhammad will receive over 5 years if Eddie decides to use share capital. [1]

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(ii) Using **Extract 1**, calculate the 5 year cost of taking out the bank loan. [2]

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(e) With reference to **Extract 1 and 2** and your calculations to question *(d)*, assess the most suitable source of finance for Eddie's purchase of the 3D equipment. [8]

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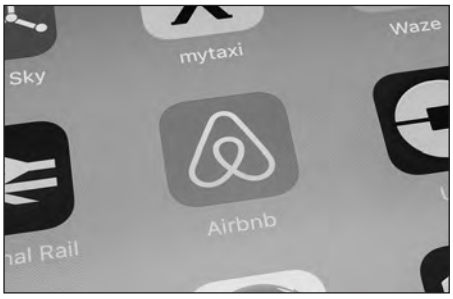
3. The sharing economy: Airbnb



Airbnb is an online marketplace that allows people to rent out their houses and unused rooms to guests for holidays. Airbnb receives a percentage of the booking price paid by customers.

The business idea was started in 2007 by Brian Chesky, Joe Gebbia, and Nathan Blecharczyk in San Francisco. They created a simple website to rent out an air bed within their living room as they couldn't afford to pay the full rent. Today, the company operates in over 190 countries with over 3 million listings for rent. As a result of the growth they have opened up a number of offices in different countries around the world.

Unlike hotels, home owners have minimal additional costs. This allows homeowners to charge significantly less than larger hotels who have greater running costs. However, there are some very unique rentals on Airbnb such as castles, villas and tree houses which usually come with more expensive prices.

Maria and Jakub Banik are planning to rent out a spare room within their house using Airbnb. Jakub researched current hotels and similar Airbnb hosts within 1.5 miles of their home:

Research of hotels and Airbnb hosts within 1.5 miles:

	Number	Lowest price per room per night	Highest price per room per night	Average price per room per night
Airbnb hosts	10	£32	£88	£58
Hotels	13	£73	£190	£112

Maria will manage the **financial role** of being an Airbnb host, while Jakub will manage the **marketing** and operations. Based on Jakub's research they have narrowed down the choice of pricing to two options:

Price option 1: A **penetration price strategy** of £30 per night where guests have access to the room and bathroom only.

Price option 2: A **skimming price strategy** of £85 per night including breakfast, Wi-Fi and Sky television access. This price also includes access to the family outdoor pool in the summer, and to the family games room including a pool table, dart board and games console.

(a) (i) State **two** roles of a *financial* department in a business. [2]

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(ii) State **one** role of a *marketing* department in a business. [1]

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(b) Analyse the benefits of economies of scale to Airbnb as they have grown. [5]

(c) Advise which price option Maria and Jakub should choose when renting out their spare room using Airbnb. [6]

14

SECTION B

Answer **one** *question from this section.*

Either,

4. Appraisals to Profits

(a) Describe the different methods of employee appraisals which might be used in a restaurant such as TGI Fridays, Harvester or Prezzo. [10]

(b) Evaluate the importance of employee appraisals to the profitability of a business. [15]

Or,

5. Into the Market

(a) Describe the different distribution channels which might be used for farmed goods such as milk, vegetables or meat. [10]

(b) 'Businesses who do not adapt their marketing mix when targeting different geographical markets are more likely to fail.' Discuss this statement. [15]

Or,

6. The Value of Adding Value

(a) Describe the different ways in which a toy manufacturer such as Lego, Hornby, or Fisher Price can add value to its production process. [10]

(b) 'A business that adds greater value to its production process is beneficial for all of its stakeholders.' Discuss this statement. [15]

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Answer the question from Section B using the following pages.

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END OF PAPER

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