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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Time 2 hours

Paper reference **WBS13/01**

Business

International Advanced Level

UNIT 3: Business decisions and strategy

You must have:
Source Booklet (enclosed)

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 in Sections A, B and C.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

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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SECTION A

Read Extracts A–D in the Source Booklet before answering Question 1.

Write your answers in the spaces provided.

1 (a) Construct a supply and demand diagram to show the impact on the market for e-bikes if the UK Government gave a subsidy for e-bikes.

(4)

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(b) Using Extract C, calculate to two decimal places, the current ratio for *Brompton Bikes* in March 2021. You are advised to show your working.

(4)

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(c) Using Extract D, discuss whether the new factory will result in internal economies of scale for *Brompton Bikes*.

(8)

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(d) Using Ansoff's Matrix, assess whether *Brompton Bikes* was right to launch *Brompton Bikes* Hire to grow the business.

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(e) Assess the advantages to *Brompton Bikes* of using the simple payback method of investment appraisal when planning its new factory.

(12)

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(Total for Question 1 = 40 marks)

TOTAL FOR SECTION A = 40 MARKS

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SECTION B

Read Extracts E and F in the Source Booklet before answering Question 2.

Write your answer in the space provided.

2 Shareholders of *Stellantis* voted to reject a proposed pay increase for the CEO.

Using the data in Extracts E and F, evaluate whether the Board of Directors of *Stellantis* should accept the shareholders' vote.

(20)

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

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SECTION C

Read Extract G in the Source Booklet before answering Question 3.

Write your answer in the space provided.

3 Evaluate the extent to which changes in external economic influences will impact on the growth of *Dr Martens* in the UK.

(20)

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

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Pearson Edexcel International Advanced Level

Time 2 hours

Paper reference **WBS13/01**

Business

International Advanced Level
UNIT 3: Business decisions and strategy

Source Booklet

Do not return this Booklet with the question paper.

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Sources for use with Section A

Extract A

UK Government ministers asked to subsidise electric bikes to tackle health and climate crises

Campaigners have asked UK ministers to consider subsidising electric bikes (e-bikes) as well as electric cars. This comes after research found that the use of e-bikes could create more than £2bn in health benefits and cut a million tonnes of harmful emissions annually.

E-bikes help riders reach a maximum powered speed of 15 mph (24 kph) when they are being pedalled. While grants of up to £1 500 are available for low-emission cars, vans and motorbikes, there are no grants for e-bikes.

E-bikes have become increasingly common in the UK, but sales are still well below levels seen in many other European countries. Market research has shown they are particularly popular with older riders and with women.

Extract B

New products and markets for *Brompton Bikes*

Brompton Bikes started in 1975 when Andrew Ritchie made the first folding bike. Since then, its popularity has grown year-on-year, making it the UK's largest bike manufacturer. The folding bike can be folded down to fit under a chair or desk. The basic Brompton bike is priced at £895.

Brompton Bikes has recently entered a new market with its existing folding bikes. *Brompton Bikes* Hire is a long-term bike rental scheme, aimed at getting more people using its folding bikes through a monthly subscription service. Riders pay a £60 monthly fee for a bike delivered to their door. This fee includes servicing, repairs and insurance covering accidental damage and theft. There is a discount on a future purchase of a bike at any point during the rental period.

With the increasing popularity of e-bikes, *Brompton Bikes* now sells an electric folding bike. This offers the same convenience of a folding bike but with the added power of an e-bike. The price of a Brompton e-bike is £2 995.

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Extract C

Selected financial data for *Brompton Bikes* 31 March 2021

	2021 (£)
Revenue	76 123 912
Gross profit	37 348 381
Operating profit	9 634 481
Profit for the year	8 436 731
Current assets	36 365 919
Current liabilities	11 155 758

Extract D

***Brompton Bikes* plans £100m factory**

Brompton Bikes plans to move out of London because the rent for its factory has nearly doubled in the last six years. It will invest £100m in a new purpose-built factory in Ashford. This is due to open in 2027.

The new factory is part of an expansion that will increase employee numbers from 850 to 1,500, which will include new specialist roles for marketing, IT and social media. The new factory will enable *Brompton Bikes* to develop new products and will include a museum, visitor centre and café. The aim for the new factory is to build 200,000 bikes a year to meet the ever-growing demand compared with the 80,000 it built in 2020–2021.

The new factory will be close to the Channel Tunnel and the port of Dover, for transporting its bikes to Europe. Approximately 75% of its bikes were exported in 2021.

Brompton Bikes has grown at an average annual rate of 17% for the past 18 years. It expects sales to increase by 15–20% due to the growth of cycling in cities.

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Sources for use with Section B

Extract E

Shareholders in carmaker *Stellantis* reject CEO's pay plan

Stellantis is the world's fourth-biggest carmaker and its brands include Peugeot and Fiat. At an investors' meeting in April 2022, just over 52% of *Stellantis* shareholders voted against the pay of the Chief Executive Officer (CEO).

Shareholders rejected a proposed €19m pay package for the carmaker's CEO Carlos Tavares. They objected to the 17.6% increase in his pay.

This would have put Carlos Tavares at the top of the pay scale for European car CEOs. In comparison, Herbert Diess, the CEO of the *Volkswagen Group*, was due a total of €8.6m for 2021. In the US, pay packages have tended to be larger with Jim Farley, CEO of *Ford Motor Company*, receiving pay of nearly $23m (€22m).

The Board of Directors at *Stellantis* said the vote would be considered and it would detail any changes in its 2022 pay report. The company's share price remained unchanged at €13.97.

Extract F

Selected financial data for *Stellantis* 31 December 2020 and 2021

	2021	2020
Revenue	€149 419m	€47 656m
Profit for the year	€14 208m	€2 023m
Earnings per share	€4.64	€1.41
Number of employees	281,595	298,879

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Source for use with Section C

Extract G

***Dr Martens* to add £10 to the price of its boots because of rising costs**

Dr Martens first designed its durable boots for workers in 1960 and since this time the boots have become a global fashion item. From July 2022 *Dr Martens* will raise the price of its boots from £149 to £159.

Dr Martens said prices would rise as the cost of almost every aspect of its boots had gone up including the leather, metal eyelets, soles and shipping. These increases have been caused by the global demand for commodities and wage inflation.

The CEO said the fashion for *Dr Martens* and other durable boots in the UK was part of the company's growth. "There is a long-term structural shift in the market. Women going to work or for a night out used to wear shoes with high heels. Now they are wearing trainers, *Dr Martens* and all kinds of similar footwear."

The business said its biggest challenge in the first half of 2022 was the closure of three factories in Vietnam due to the global health crisis. This affected a third of its production capacity. Other difficulties included finding enough containers and ships to get finished goods to retail stores.

Dr Martens revealed its plan to increase prices after it reported a 16% rise in sales to £370m in the six months to 30 September 2021. Pre-tax profits increased by 46% to £61.3m.

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Acknowledgements

Extract A adapted from: https://www.theguardian.com/politics/2022/mar/13/uk-ministers-urged-subsidise-e-bikes-tackle-health-and-climate-crises

Extract B adapted from: https://www.evanscycles.com/brand/brompton and https://www.bikebiz.com/from-borrowers-to-buyers-how-bike-rentals-open-the-door-to-new-consumers/

Extract C adapted from: https://find-and-update.company-information.service.gov.uk/company/01261512/filing-history

Extract D adapted from: https://www.ft.com/content/fbe6796c-c2c7-46a1-a186-0e2b35cd8fac

Extract E adapted from: https://www.ft.com/content/0fd33ef5-9c42-4208-bd4f-a051a432fa43

Extract F adapted from: https://www.stellantis.com/en/investors/reporting/financial-reports

Extract G adapted from: https://www.ft.com/content/6caff6d6-ddb0-4423-ad6e-4f84a91907a0