



Oxford Cambridge and RSA

# Monday 19 October 2020 – Morning

## A Level Business

### H431/03 The global business environment

Time allowed: 2 hours

**You must have:**

- the Resource Booklet

**You can use:**

- a calculator



Please write clearly in black ink. **Do not write in the barcodes.**

Centre number

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Candidate number

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First name(s)

Last name

### INSTRUCTIONS

- Use black ink.
- Write your answer to each question in the space provided. You can use extra paper if you need to, but you must clearly show your candidate number, the centre number and the question numbers.
- Answer **all** the questions.
- Use the Resource Booklet to answer all the questions.

### INFORMATION

- The total mark for this paper is **80**.
- The marks for each question are shown in brackets [ ].
- Quality of extended response will be assessed in questions marked with an asterisk (\*).
- This document has **16** pages.

### ADVICE

- Read each question carefully before you start your answer.

1 Lidl has reduced investment in its digital marketing. (Line 7)

..... [6

- 2\*** Discount supermarkets Lidl and Aldi operate in a very competitive market. This market is also now threatened by Tesco's new 'Jack's' stores.

Evaluate how operating in a competitive market might affect Lidl's success.

**[20]**

[illegible]





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- 3 Explain what is meant by 'catastrophic change'.

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..... [2]

- 4 Selling cars involves Lidl employing people with technical knowledge and previous experience in that area of business.

Explain **two** ways Lidl could recruit staff in order to successfully sell cars.

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2 .....

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..... [4]

- 5 Analyse **one** quantifiable risk and **one** unquantifiable risk to Lidl if it starts to sell cars.

Quantifiable risk .....

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Unquantifiable risk .....

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[6]



- 6 El Miguel's Tortillas (EMT) is a firm based in Mexico that is in negotiations to supply Lidl's UK stores with boxes of tortilla chips.

The exchange rate of the UK pound to the Mexican peso is £1 = 25 pesos. EMT's own research has found that Lidl might pay it 5 pesos per box of tortilla chips. Miguel, the owner of EMT, has heard that the Mexican peso might fall in value.

- (a) Calculate the **change** in the cost of a box of tortilla chips to Lidl (in pounds) if the value of the peso falls to £1 = 29 pesos.

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Answer £ ..... [3]

- (b) In Mexico, EMT's tortilla chips have a recommended retail price in supermarkets of 15 pesos per box. **Table 1** shows some research that Miguel has put together, showing potential demand at different prices.

**EMT tortilla chip demand at different prices**

Price per box (pesos)	9	12	15
Likely demand (number of boxes per week)	7400	7100	6900

**Table 1**

Calculate the price elasticity of demand for boxes of tortilla chips if the price per box was reduced by 40% from 15 pesos to 9 pesos.

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Answer ..... [2]

- (c) If Lidl do place a large order, Miguel is considering expanding EMT's production facility. Miguel has calculated the projected returns from this venture (see Table 2).

**Annual cash inflows of proposed expanded production facility**

Year	Cash inflows (000 pesos)
0	(12 500)
1	2 000
2	3 000
3	3 500
4	4 000
5	4 500

**Table 2**

- (i) Explain **two** disadvantages to Miguel of using the payback period method of investment appraisal for this venture.

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2 .....

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**[4]**

- (ii) Calculate the average rate of return (ARR) over 5 years for Miguel's proposed venture.

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Answer ..... **[3]**

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.....  
**Turn over**



**8\*** Refer to **Extracts H and I.**

When Lidl expanded into Serbia in 2018, it faced issues involving warehousing, transport and infrastructure, local suppliers and operations systems within its new stores. Lidl currently has bases throughout Europe including in Latvia, Lithuania and Finland, but not in Estonia.

Recommend and justify an operations strategy for Lidl if it were to expand its operations into **Estonia**. [20]

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**END OF QUESTION PAPER**



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