

Pearson Edexcel International Advanced Level

Thursday 23 May 2019

Afternoon (Time: 2 hours)

Paper Reference **WBS12/01**

Business

International Advanced Subsidiary/Advanced Level
Unit 2: Managing business activities

Source Booklet

Do not return this Source Booklet with the question paper.

P60459A

©2019 Pearson Education Ltd.

1/1/1/1



Turn over ►

 **Pearson**

Sources for use with Section A

Extract A

What is *Zwift*?

Millions of people around the world enjoy cycling. However, the weather or road conditions can sometimes make it difficult or even impossible to take part in this activity. *Zwift* created a solution to this by introducing a virtual reality computer program, which combines cycling with computer gaming. The cyclist rides their bicycle indoors while it is attached to a fixed frame, so the bicycle does not actually move. This allows the cyclist to watch their progress on a virtual road on a computer screen. People of all cycling abilities can improve their fitness at the same time as enjoying social interaction with fellow cyclists from around the world. 5

By paying *Zwift* a \$10 fee every month to use the game, the cyclist's efforts can be displayed in a virtual world on the computer screen, complete with maps, roads, landscapes and other riders to interact with. 10

Jon Mayfield and Eric Min, both keen cyclists, launched *Zwift* as a private limited company in 2014, with an initial investment of \$3m, followed by venture capital of \$27m in 2016. The statistics are certainly impressive. In October 2017, *Zwift* had more than 300,000 riders from over 150 countries. Between them they had collectively logged 218,128,291km. There are currently no direct competitors to *Zwift* and with several additions to the game being planned its success looks set to continue. 15

Extract B

Selected financial information for *Zwift* for year ending 31 December 2017

	\$
Revenue	36 000 000
Cost of sales	(21 000 000)
Gross profit	15 000 000

Sources for use with Section B

Extract C

UK Government will consider additional 25p charge on disposable coffee cups

The UK Government is considering adding an additional charge of 25p on all disposable coffee cups. This is aimed at helping the environment. Consumer trends have already shown people are prepared to pay more in order to prevent billions of tonnes of waste packaging ending up in the world's oceans, such as with the success of the existing 5p charge on plastic bags. 5

The proposal was announced by the UK Prime Minister as part of the government's 25-year environmental plan. The focus is on the need to reduce the amount of plastic thrown away each year.

The UK currently throws away approximately 2.5 billion disposable coffee cups every year with only a small number being recycled. If government plans go ahead, it is estimated the 25p charge could raise £438m and reduce use of the throw away cups by 30%. 10

Starbucks is to trial the additional charge, in London, but with a lower initial charge of 5p per cup. A spokesman for the coffee house chain from the US said its procedures were focused on reducing environmental concerns at the same time as maintaining the great taste, quality and service customers expect from *Starbucks*. Money raised will go to environmental charities researching better ways to recycle and protect the environment. 15

Starbucks currently sells reusable cups for £1 and offers a small discount for people using their own cup. It is the second biggest coffee house chain in the UK (after *Costa Coffee*) and the average price of its coffee is around £2.50. 20

Extract D

Selected financial information from *Starbucks'* consolidated income statement 12 months ending 31 October 2017

	\$
Revenue	22 386 800 000
Direct costs	9 038 200 000
Interest	92 700 000
Taxes	1 432 600 000

Sources for use with Section C

Extract E

How successful are small to medium-sized businesses in the current export market?

Small to medium-sized businesses make up 99.9% of all businesses in the UK. A survey by eBay found that people in other countries buy British-made goods and services because of positive perceptions of their quality, a reputation for good customer service, and the familiarity of many British 'brands' such as the BBC, music artists and the Royal Family. 5

The survey found many of the small business owners that responded have had an increase in demand between 2016 and 2017 from customers wanting to buy British goods. The Office for National Statistics (ONS) reports that the UK exported £550bn in goods and services in 2016.

Historically, one of the most significant challenges to exporting businesses has been the exchange rate. However, since the EU referendum Brexit vote in June 2016, the pound sterling (£) has depreciated. 10

Extract F

Exchange rate of the pound sterling (£) against the euro (€)

Date	Exchange rate of £1 in euros (€)
1st July 2015	1.40
1st July 2016	1.19
1st July 2017	1.14

Acknowledgements

Extract A adapted from © Road Cycling UK 2018

Extract B adapted from © Telegraph Media Group Limited 2018

Extract C Government will consider 25p 'latte levy' on disposable coffee cups, says Michael Gove, by Jack Maidment © The Telegraph - January 2018

Extract D adapted from © Nasdaq Inc 2018

Extract E adapted from © The Week Ltd 2018

Extract F adapted from © XE.com Inc. 1995-2018

Every effort has been made to contact copyright holders to obtain their permission for the use of copyright material. Pearson Education Ltd. will, if notified, be happy to rectify any errors or omissions and include any such rectifications in future editions.