

Business

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

Sample assessment material for first teaching
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Source Booklet

Paper Reference
WBS12/01

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Sources for use with Section A

Extract A - To be lean, or not to be lean?

In the 1990s, *Toyota* became one of the world's largest automobile companies. It is well known for its advanced product design and manufacturing efficiency. The company benefited from lean production management such as just-in-time (JIT). One aspect of lean production management at *Toyota* is to use identical car parts across multiple models and brands. This helps to shorten product lead-in times and gets new cars to market quickly. However, a simple fault in one car part can cause major problems for the manufacturer.

5

In 2016, tens of thousands of *Toyota* cars were recalled in the UK for safety reasons, including fears that their airbags could inflate without warning. *Toyota* was also forced to recall 2.9 million vehicles worldwide, including 72,885 UK-registered Prius, Auris and Lexus models, over possible cracks in the fuel emissions control unit.

10

Toyota said that it expected to have additional costs of \$1.47bn for the year ending in March 2017 for 'quality-related expenses'. *Toyota* has previous experience of taking millions of vehicles off the road, having been forced into two product recalls in 2009 and 2010 affecting 9 million vehicles. The recalls followed a series of fatal crashes that occurred when *Toyota*'s accelerator pedals got stuck.

15

Despite problems with recalls, *Toyota* is the world's largest car manufacturer.

Extract B - Selected information from *Toyota Plc's Statement of Financial Position (2016)*

Extracts	30 Sep 2016 (Yen in millions)
Current assets	15 653 139
Inventories	2 058 076
Total assets	43 776 105
Current liabilities	15 018 262
Non-current liabilities	11 315 579
Total liabilities	26 333 841

Sources for use with Section B

Extract C - How This American Teenager Turned Her Childhood Hobby into a Global Business

When Bella Weems was 14 years old, she wanted a car. Bella tried to raise the money by looking after young children but after a few months she had only raised \$350. As a result, her parents said they would give her an additional \$350 to help start her own business. 5 Bella looked online for ideas and chose jewellery, particularly customisable lockets*.

These are separate chains, lockets and charms** that Bella assembles to create pieces of jewellery that tell individual stories. They are often worn on a chain around the neck. She called the business *Origami Owl* and began selling her Living Lockets®. Bella's own Living Locket® holds a charm in honour of her grandmother, along with a sunflower charm and a cupcake charm. Origami Owl's collection also includes patented designs such as the Heart Locket. 10

To get the business started, Bella held jewellery parties at her house. She received positive feedback from people at her parties and they advertised her business by wearing the lockets. Bella and her mother set up a small shop in November 2011. They sold an estimated \$120 000 of jewellery in November and December. More importantly, her customers sent them around different parts of America as gifts. Soon Bella was receiving calls from people in different states across America wanting to buy more. Bella is planning to expand into Mexico and Europe and to create a wider range of jewellery collections. 15 20

*locket: a small metal case used as jewellery

**charm: a small ornament

Extract D - An extract from *Origami Owl's Statement of Income for year ending 31 March 2016*

Extracts	\$000s
Revenue	1 372
Cost of sales	(343)
Gross profit	1 029
Expenses	(617)
Profit (loss) for the year	412

Source for use with Section C

Extract E – *Hummingbird Bakery*

Tarek Malouf wanted to create a bakery unlike any other in the UK. With a focus on cake making rather than bread-baking, Tarek believed he had found a clear gap in the market. He opened his first *Hummingbird Bakery* as a private limited company in London in 2004, with one other director. Since then a further four branches have opened across London. 5

Tarek's vision for the bakery was to be American in flavour and style. This love of American baking is something that many UK and international customers share. Today the bakery sells an average of 22,000 cupcakes per week and has become a highly celebrated and recognisable high street brand.

One of the key factors in *Hummingbird Bakery*'s success has been its belief that cakes taste best when they have been freshly baked, using the same ingredients and techniques as those used in home-baking. For this reason, every *Hummingbird Bakery* branch has its own kitchen and team of resident expert bakers and cake decorators. This enables them to bake to order and to offer its customers only cakes that have been freshly baked the very same day. 10 15

The *Hummingbird Bakery* is looking for growth through more locations in London and around the UK. Tarek states "I never intended to open hundreds of branches, which would diminish the value of my product. I prefer to grow organically and open each new branch with the profits of existing ones." However, Tarek has been approached by several people wanting to purchase a *Hummingbird Bakery* franchise. 20

Acknowledgements

Extract A adapted from 6BS02 Question Paper June 2012 and <https://www.theguardian.com/business/2016/jun/29/toyota-recalls-34000-uk-vehicles-defective-airbag-concerns>; Extract B adapted from http://www.toyota-global.com/pages/contents/investors/financial_result/2017/pdf/q2/summary.pdf; Extract C adapted from <http://www.entrepreneur.com/article/246000>; Extract D adapted WBS01 Question Paper October 2016; Extract E adapted from <https://hummingbirdbakery.com/our-bakeries/about-us/> and <http://www.startups.co.uk/hummingbird-bakery-tarek-malouf.html>

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