

# Past exam paper questions – Topic 2.1

Q1.

Read the following extract carefully and then answer the question.



*GoPro* is an American public limited company, which manufactures action cameras that are used in extreme activities such as rock climbing, surfing and base jumping.

Since its stock market flotation in 2004, the company has grown rapidly and has become a leading extreme sports brand. *GoPro's* sales revenue has increased every year since the company started. However, in 2016 *GoPro's* sales dropped significantly and the company made a loss of \$116m. This led to the company's share price falling to a record low of \$8.54.

To try and increase sales, *GoPro* launched three new products. These new products were waterproof and allowed smoother video recording. One of these products was the *GoPro Karma* – a new drone that takes aerial action shots.

In 2017 Go Pro decided to raise finance to invest in its new product range. This was because cheaper competitors were entering the market, such as the Chinese company Xiaomi.

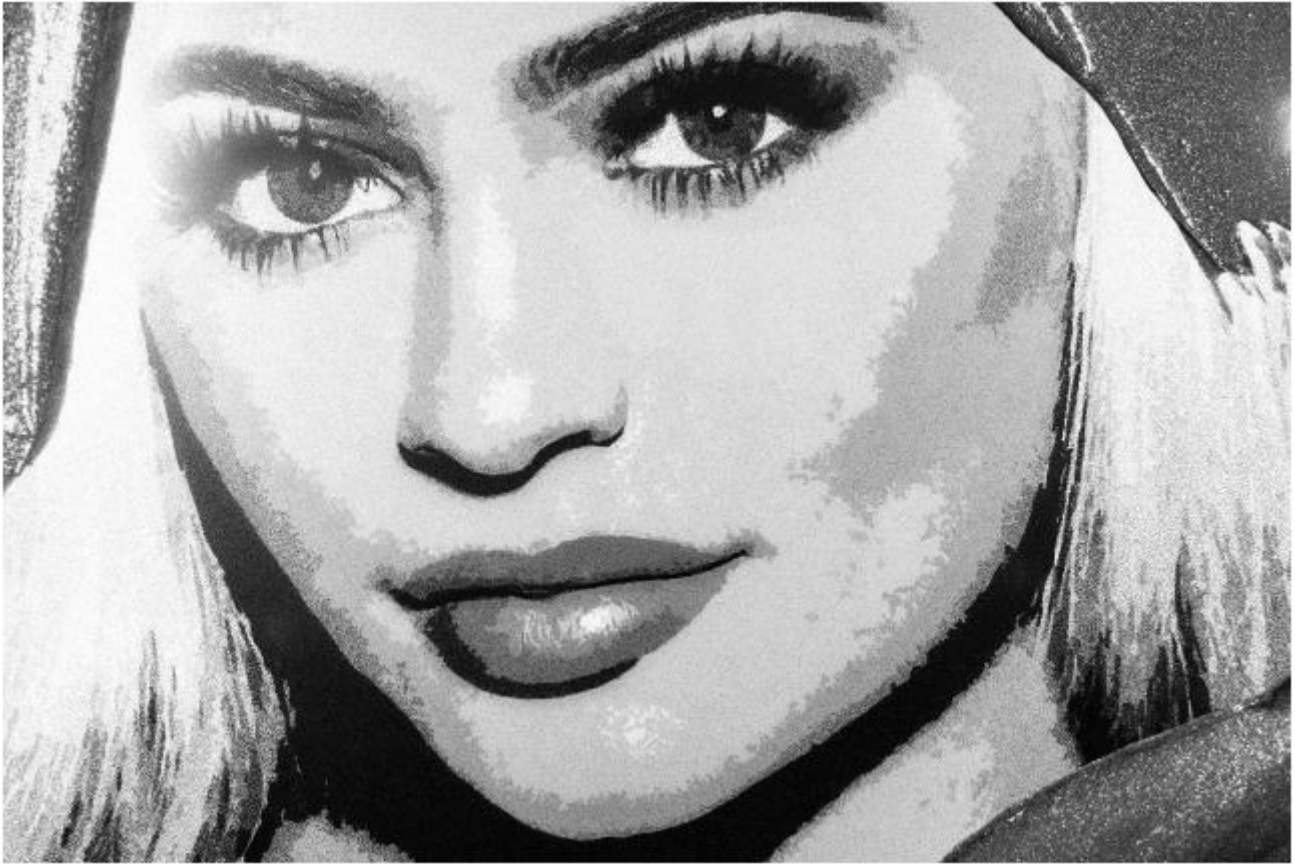
(Source: adapted from <http://www.express.co.uk/life-style/science-technology/712497/GoPro-Announces-Hero-5-Black-Session-Karma-Drone-UK-Release-Date-Price>)

Define the term **public limited company**.

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**(Total for question = 1 mark)**

Q2.



Famous from her role in hit reality television series 'Keeping Up with the Kardashians', 19-year-old Kylie Jenner is now also recognised as a successful teenage entrepreneur in her own right.

Celebrated for her full lips, Kylie Jenner decided to launch a range of lip kits with unique names such as 'Dolce K'. These products sold out within 10 minutes, as her fan base of teenage girls rushed to copy her celebrity look. The success of these products convinced Kylie to start her own internet cosmetics company, *Kylie Cosmetics*. She has now increased its range of products to include an eye shadow and eyeliner called Kyshadow and Kyliner respectively.

Kylie regularly interacts with her fans and potential customers using social media. Her app (application), which provides make-up and fashion tips, is one of the most downloaded entertainment apps in the UK. Every *Kylie Cosmetics* product has a launch date and products are only available for a limited period of time, before they sell out. Once the products have sold out, customers may have to wait weeks before the cosmetics are available for sale on the *Kylie Cosmetics* website again. None of *Kylie Cosmetics*' products are tested on animals and virtually all of them are suitable for vegans.

(Source: adapted from <http://www.vanityfair.com/style/2016/10/kylie-jenner-lip-kits-seed-beauty-colourpop>)

Outline **one** reason why *Kylie Cosmetics* has chosen not to test its products on animals.

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**(Total for question = 2 marks)**

**Q3.**

Read the following extract carefully and then answer question.



(Source: © Francis Vachon / Alamy Stock Photo)

*Netflix* is an American public limited company that sells subscriptions to its online video streaming service. A subscription allows consumers in over 190 countries to stream television programmes and films through the internet.

In 2016 *Netflix* decided to increase the price of its standard UK subscription from £5.99 to £7.49 per month. This move reflected *Netflix's* shift towards producing more of its own original streaming content, such as the hit drama 'Stranger Things', rather than repeating shows that are available on terrestrial channels such as BBC1 or itv1.

In recent years, the online streaming market has become increasingly competitive with rivals, such as Amazon Prime, investing \$180 million on 36 episodes of 'The Grand Tour'. To keep up, *Netflix* has committed itself to spending \$6bn on new, original programming in 2017.

*Netflix* faces the difficulty of raising prices to fund new shows, whilst at the same time not putting off new and existing subscribers. However, *Netflix* continues to expand and build up its library of programmes and films from non-English speaking countries. *Netflix's* longer-term aim is to successfully enter the Chinese market.

(Source: adapted from <http://bigstory.ap.org/article/95de4a23315f4abc9a4d72dcc75f3ff2/netflix-tests-limits-price-increases-original-shows>)

Outline **one** advantage for *Netflix* of being a public limited company.

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(Total for question = 2 marks)

**Q4.**

Answer the question with a cross in the box you think is correct . If you change your mind about an answer, put a line through the box  and then mark your new answer with a cross .

Which **two** of the following are methods of inorganic growth?

Select **two** answers.

- A Innovation
- B Merger
- C New products
- D Research and development
- E Takeover

(Total for question = 2 marks)

**Q5.**

Explain **one** drawback to a business if a tariff is placed on the raw materials it imports.

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**(Total for question = 3 marks)**

**Q6.**

Explain **one** benefit to a business from exporting its products.

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**(Total for question = 3 marks)**

**Q7.**

Explain **one** benefit to a business of using loan capital as a source of finance.

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**(Total for question = 3 marks)**

**Q8.**

Explain **one** advantage to a business of being recognised as environmentally responsible.

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**(Total for question = 3 marks)**

**Q9.**

**Read the following extract carefully and then answer question.**



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Analyse the benefit to *Netflix* of using the internet to distribute its video streaming service.

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**(Total for question = 6 marks)**

**Q10.**

**Read the following extract carefully and then answer the question.**

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In 2017 *Go Pro* decided to raise finance to invest in its new product range. This was because cheaper competitors were entering the market, such as the Chinese company *Xiaomi*.

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*GoPro* needs to raise finance to develop its new product range. It is considering the following two options:

**Option 1:** Use retained profit.

**Option 2:** Issue new share capital.

Justify which one of these two options *GoPro* should choose.

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**(Total for question = 9 marks)**