

Pearson Edexcel Level 3 GCE

Live Mock 2026

Paper
reference

9BS0/02

Business

Advanced

PAPER 2: Business activities, decisions and strategy

Source Booklet

Do not return this Booklet with the question paper.

SECTION A

Read the following extracts (A to D) before answering Question 1.

Extract A

Aurelia Kitchens Ltd

Aurelia Kitchens Ltd is a privately owned UK manufacturer of premium fitted kitchens. The business designs, manufactures and installs kitchens for domestic customers across the UK. Aurelia positions itself as a high-quality brand, competing on design, durability and customer service rather than low prices.

Aurelia Kitchens Ltd was founded in 2008 by two former furniture designers. The business operates from a single manufacturing site in the West Midlands and employs 165 people. Aurelia sells its kitchens through a network of 12 UK showrooms, all owned by the business.

Demand for fitted kitchens increased during 2020 and 2021, as more people invested in home improvements. Aurelia experienced strong sales growth during this period and expanded its workforce by recruiting additional skilled production workers and installation teams.

Aurelia's management team believes that long-term growth will depend on improving productivity at its factory and making strategic investment decisions to support future demand.

Extract B

Employment and productivity at Aurelia Kitchens Ltd

Year	Number of production workers	Kitchens produced	Average labour cost per worker (£)
2021	92	4,600	29,500
2022	108	5,100	31,200

Aurelia's managers are reviewing labour productivity and unit costs. Some experienced workers have raised concerns that recent recruitment has reduced average skill levels on the factory floor, increasing the need for supervision and training.

Extract C

Investment options under consideration

Aurelia is considering investing in new computer-controlled cutting and assembly machinery. The machinery would automate several stages of the production process and reduce reliance on manual labour.

The proposed investment would cost **£2.4 million** and is expected to last **five years**, with no residual value. Forecast cash inflows from the investment are shown below:

Year	Forecast net cash inflow (£000)
1	620
2	650
3	670
4	680
5	700

Aurelia's management uses a **discount rate of 9%** when appraising investment projects.

Year	0	1	2	3	4	5
Discount factor	0.917	0.842	0.772	0.708	0.650	0.596

Extract D

Growth strategy

Aurelia's sales director has suggested expanding into the European market, beginning with Ireland and the Netherlands. This would involve exporting kitchens manufactured in the UK and working with local installation partners.

However, some directors favour focusing on the UK market and increasing capacity at the existing factory. They argue that exporting would increase complexity, currency risk and delivery times, potentially damaging Aurelia's reputation for customer service.

The directors must decide which growth strategy is most suitable for Aurelia over the next five years.

SECTION B

Read the following extracts (E to H) before answering Question 2.

Extract E

PulseTech plc

PulseTech plc is a UK-based public limited company that designs and sells wearable technology products, including fitness trackers and smart health monitors. Its products are sold online and through electronics retailers in the UK, Europe and North America.

PulseTech's strategy focuses on innovation and data analytics. Its products allow users to track physical activity, sleep patterns and heart rate. The business invests heavily in research and development (R&D) to differentiate its products and maintain a competitive advantage.

Extract F

PulseTech plc – selected financial information (2023)

Item (2023)	£m
Revenue	412
Cost of sales	268
Operating expenses	121
Non-current assets	310
Shareholders' funds	285

PulseTech's directors are under pressure from shareholders to improve profitability, following a slowdown in revenue growth during 2023.

Extract G

Production capacity and outsourcing

PulseTech currently assembles its products at a factory in Eastern Europe. The factory is operating at **92% capacity utilisation**.

Demand forecasts suggest that sales could increase by up to **30% over the next two years** if PulseTech launches a new health-monitoring device. To meet this demand, PulseTech is considering two options:

- Expanding its existing factory
- Outsourcing production to a specialist electronics manufacturer in Asia

Outsourcing would reduce PulseTech's control over production but could lower unit costs.

Extract H

The global wearable technology market

The global wearable technology market has grown rapidly over the past decade. The market was valued at **\$61.3bn in 2020** and is forecast to reach **\$150.6bn by 2030**, representing strong long-term growth.

Growth is driven by increased health awareness, advances in sensor technology and the integration of wearable devices with smartphones and health apps.

However, the market is characterised by:

- Rapid technological change
- Short product life cycles
- High levels of research and development spending

PulseTech's senior managers must decide how best to position the business to benefit from future market growth.