

# AS Business Summer Task

Name: .....



Read the **Extracts** below and answer the set questions. Your answers must be handwritten.

## Extract D

### Vi-Spring focuses on growth

Vi-Spring manufactures beds and mattresses. It has a global reputation for high-quality manufacture and one of its models, The Monarch, is the sixth most expensive bed in the world, selling at £80 000 in niche markets.

Vi-Spring beds are produced using the finest materials including British Shetland wool. Each bed contains several thousand springs and the stitching is completed by a skilled and motivated craftsman, with the cotton fabric being woven with silk and gold. Nearly all of the raw materials used to produce the bed are sourced within the United Kingdom, and this helps Vi-Spring to maintain its strong branding and high levels of market orientation.

5

The Monarch has many famous owners including David Beckham. Vi-Spring's market focus has been in the USA and the UK. It has now started to sell an increasing number of beds to customers in countries with high economic growth rates, such as China and India.

10

(Source: ©VI-SPRING Ltd)

## Extract E

### China imposes a 10% tariff on imported furniture

China's demand for imported furniture continues to grow. A recent report stated that imports of furniture into China had increased by more than 25% during 2012. The report also stated that 'faced with a choice, Chinese consumers do not want to buy domestically produced furniture – they are too concerned about the quality'.

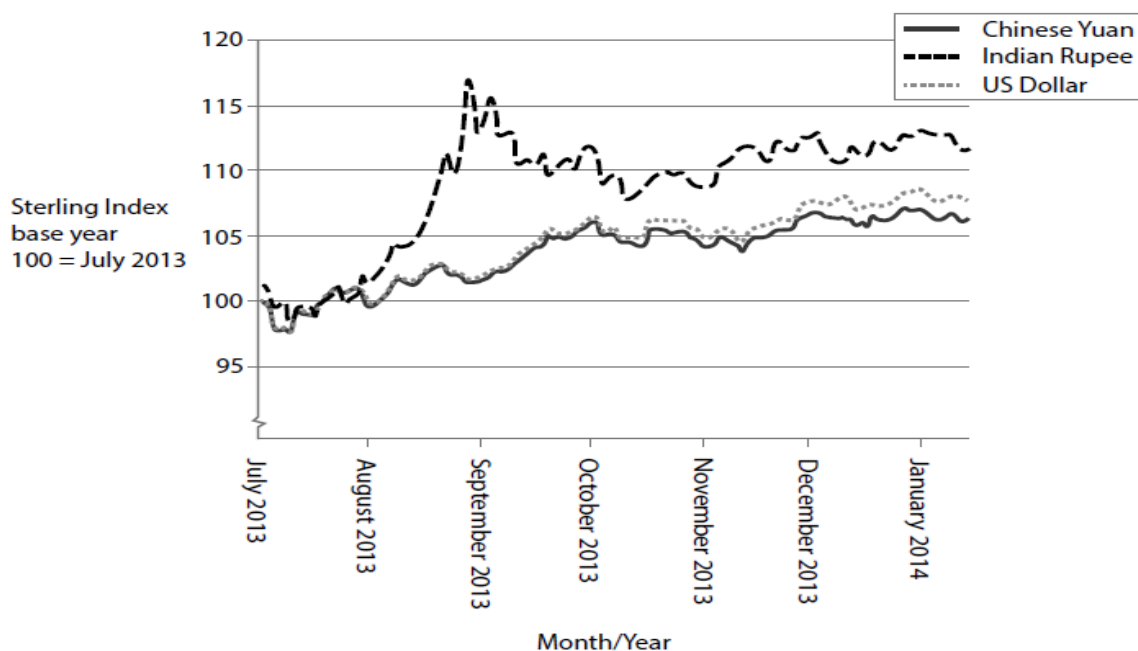
Faced with a decline in sales, Chinese manufacturers have successfully persuaded their government to impose a 10% tariff on all imported furniture made out of leather, wood or bamboo.

5

(Source: adapted from <http://www.chinainportexport.org/>)

## Extract F

### Currency Index of the pound (£) against selected currencies July 2013 to January 2014



(Source: ©Ratesfx.com)

**Questions**

1. What is meant by a niche market? (2 marks)

.....

.....

.....

.....

.....

2. What is meant by a brand? (2 marks)

.....

.....

.....

.....

.....

3. What is meant by Cost of Sales? (2 marks)

.....

.....

.....

.....

.....

4. What is meant by a Sales Forecast? (2 marks)

.....

.....

.....

.....

.....

## **Enterprise Faculty**

### **Extract A**

#### **Sony launches PlayStation 4 (PS4) at a price close to cost**

The video games console market is very dynamic. There are three main console manufacturers: Nintendo, Sony and Microsoft. A console war started in November 2013 when Sony launched the PS4, followed one week later by the release of Microsoft's Xbox One.

Experts consider the PS4 to be the most powerful video games console ever produced. The global mark-up per console is surprisingly low at 4.2%. 5

<b>Component costs</b>	<b>US dollars (\$)</b>
Electrical components	348
Controller	18
Box contents	6

(Source: adapted from <http://allthingsd.com/20131119/teardown-shows-sonys-playstation-4-costs-381-to-build/>)

5. Using the data in Extract A, calculate the UK retail price of a PS4 to the nearest pound if the exchange rate is £1 = \$1.68. You are advised to show your working. (4 marks)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

6. Explain how Vi-Spring could be disadvantaged by operating in a niche market. (4 marks)

.....

.....

.....

.....

.....

**Enterprise Faculty**

.....

.....

.....

.....