Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME	
CENTRE NUMBER	
CANDIDATE NUMBER	

4384196238

BUSINESS STUDIES **0450/12**

Paper 1 **February/March 2015**

1 hour 30 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name in the spaces at the top of this page.
Write in dark blue or black pen.
You may use an HB pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, glue or correction fluid.
DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.
The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.
The total number of marks for this paper is 80.

The syllabus is approved for use in England, Wales and Northern Ireland as a Cambridge International Level 1/Level 2 Certificate.

This document consists of **10** printed pages and **2** blank pages.

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1 Burnett manufactures a range of sports shoes. The Operations Director is planning to increase the scale of production at its factory. She hopes it could lead to more than one economy of scale. The extra output would allow Burnett to export its shoes for the first time.

Table 1: Costs and revenue for current production levels

Fixed costs per month	$250 000
Labour costs per pair of shoes	$15
Material costs per pair of shoes	$10
Average selling price per pair of shoes	$50
Planned sales per month (pairs of shoes)	20 000

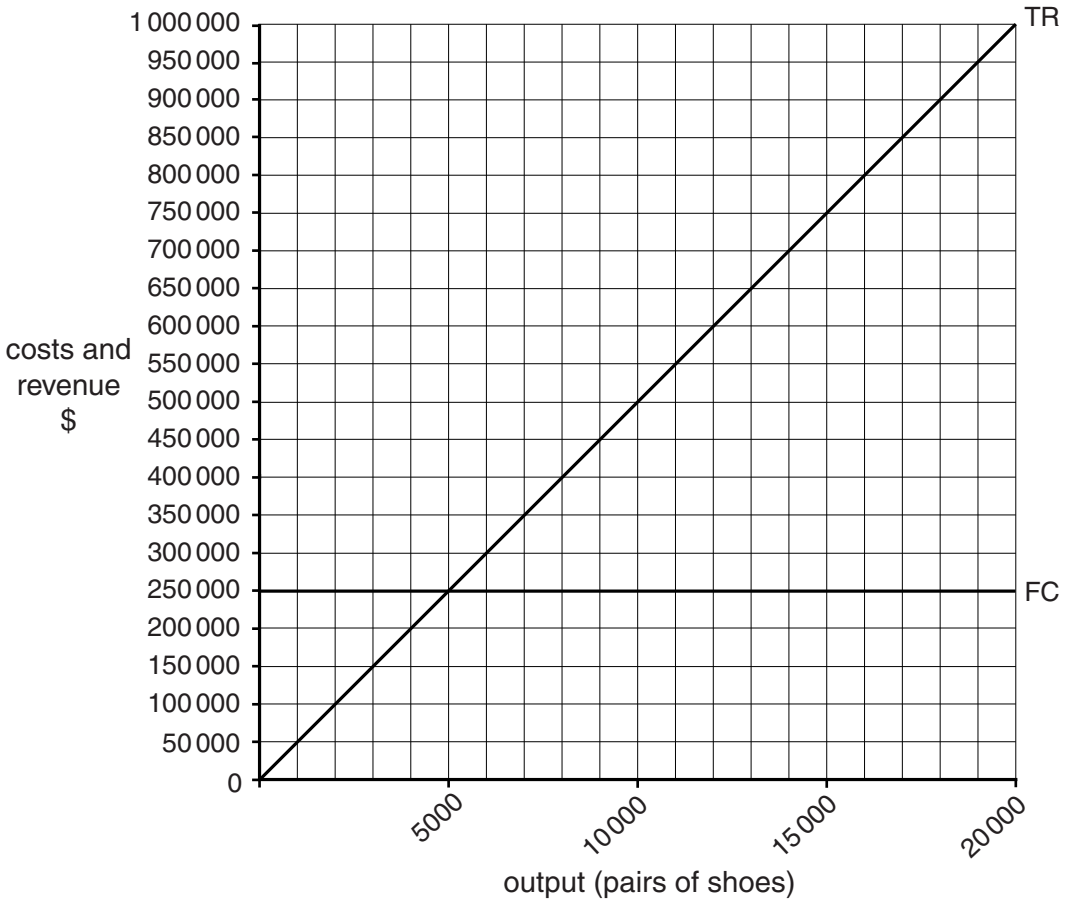


Figure 1

(a) Draw the monthly total cost line on Figure 1. [2]

(b) Use the chart to calculate the monthly profit if Burnett produces and sells 20 000 pairs of shoes.

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.....[2]

(c) Identify and explain **two** possible economies of scale that Burnett could benefit from.

1: .....

Explanation: .....

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2: .....

Explanation: .....

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.....[4]

(d) Identify and explain **two** ways in which break-even charts can be useful to the Operations Director of Burnett.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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.....[6]

(e) Which do you think are the **two** most important factors for Burnett to consider when deciding whether to export its products? Justify your choices.

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.....[6]

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2 Zoff is a large engineering company. It manufactures a wide range of products from bicycles to washing machines, mainly using batch production methods. The company has grown rapidly but its profits are falling. Following the dismissal of the Managing Director, the company has announced that a new Managing Director will be recruited internally. A spokesperson said: 'Our objectives have to change. Rather than growth, we will focus on improving quality whilst at the same time try to improve our competitiveness.'

(a) What is meant by 'dismissal'?

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.....[2]

(b) Identify **two** advantages to Zoff of using internal recruitment for the new Managing Director.

Advantage 1: .....

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Advantage 2: .....

.....[2]

(c) Identify and explain **two** ways (other than improving quality) that Zoff could use to improve its competitiveness.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **two** ways in which Zoff might achieve quality production.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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(e) Do you think Zoff should change its objectives? Justify your answer.

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3 Kapil is a successful law partnership in the centre of a large city. It offers a range of services to small and large business customers, including having meetings to give legal advice and writing contracts. Kapil's Finance manager is worried about the high level of fixed costs. He believes this is due to Kapil's good location. The Managing Director wants to buy a new information technology (IT) system to help improve internal communication. She thinks technology will help remove some communication barriers.

(a) What is meant by 'internal communication'?

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.....[2]

(b) Identify **two** barriers to communication.

Barrier 1: .....

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Barrier 2: .....

.....[2]

(c) Identify and explain **two** advantages to Kapil of using information technology.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **two** suitable sources of finance that Kapil could use to purchase the new IT system.

Source 1: .....

Explanation: .....

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Source 2: .....

Explanation: .....

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(e) Do you think Kapil should move to a cheaper location? Justify your answer.

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4 Gowri has always wanted to start up her own business making leather goods such as bags and belts. She has already asked about micro-finance and what help the Government will offer new business start-ups. 'There is still a lot to do!' said Gowri. 'I need to plan my sales promotion and find out about how legal controls could affect my business.' Gowri is not sure if she needs a business partner.

(a) What is meant by 'micro-finance'?

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(b) Identify **two** reasons why the Government might support business start-ups.

Reason 1: .....

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Reason 2: .....

.....[2]

(c) Identify and explain **two** ways in which legal controls might affect Gowri's business.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **two** factors (other than legal controls) that Gowri needs to consider when deciding on which method of promotion to use for her products.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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(e) Do you think it would be better for Gowri to have a business partner rather than be a sole trader? Justify your answer.

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