Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

0210320116

BUSINESS STUDIES **0450/12**

Paper 1 **February/March 2016**

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 **9** printed pages and **3** blank pages.

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1 Singh Foods (SF) makes a range of pickles and preserves (jams). The business has expanded quickly even though the economy is in recession. The Human Resources manager believes employees have helped SF to become successful by accepting new ways of working. She uses both profit sharing and non-financial methods to motivate the 200 full-time employees. Few employees leave each year. Most communication is done through a weekly printed newsletter. She is not sure if this is still the best way to communicate with employees.

(a) What is meant by 'economy is in recession'?

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.....[2]

(b) Identify **two** non-financial methods that SF might use to motivate employees.

Method 1: .....

Method 2: .....[2]

(c) Identify and explain **two** advantages to SF of using profit sharing.

Advantage 1: .....

.....

Explanation: .....

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Advantage 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **two** advantages to SF of few employees leaving each year.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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.....[6]

(e) Do you think a newsletter is the best way for SF to communicate with employees? Justify your answer.

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.....[6]

2 Dhoni is a successful small business. It has five shops which sell kitchen equipment such as cooking pots and knives. Most of its products are sold to restaurants and hotels. The company has received a takeover offer of $700 000 from a large competitor. Dhoni's shareholders have been looking at the accounts. They are not sure whether shareholders would benefit from the takeover. Dhoni's return on capital employed was 7% in 2015 and 9% in 2016.

Table 1: Extract from Dhoni's accounts ($000s)

	2015		2016	
Non-current assets		600		600
Current assets:				
Inventory	60		80	
Trade receivables	80		100	
Cash	40		20	
		180		200
Current liabilities		150		200

(a) What is meant by a 'non-current asset'?

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.....[2]

(b) Calculate the acid test ratio in 2016.

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.....[2]

(c) Identify and explain **two** reasons why Dhoni has trade receivables.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

.....

Explanation: .....

.....[4]

(d) Identify **two** stakeholder groups (other than shareholders) and explain how they might use Dhoni's accounts.

Stakeholder group 1: .....

Explanation: .....

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Stakeholder group 2: .....

Explanation: .....

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.....[6]

(e) Do you think the takeover would benefit Dhoni's shareholders? Justify your answer.

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3 Autovision is a private sector business based in Europe. It makes specialist glass for cars and benefits from economies of scale. Quality assurance is important to Autovision. The Operations Director has introduced new technology in recent years which has changed the production process. 'It was expensive to buy, but we have 20 fewer workers than 3 years ago and can now make many different designs.' Autovision sells 50% of its products in Asia. The Operations Director thinks Autovision should relocate to Asia.

(a) Identify **two** features of a private sector business.

Feature 1: .....

.....

Feature 2: .....

.....[2]

(b) What is meant by 'quality assurance'?

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.....[2]

(c) Identify and explain **two** economies of scale from which Autovision could benefit.

Economy of scale 1: .....

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Explanation: .....

.....

Economy of scale 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **two** ways in which new technology could have changed production methods at Autovision.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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.....[6]

(e) Do you think Autovision should relocate? Justify your answer.

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4 AirGo is a market-orientated business. It provides flights to 10 airports across Asia. 90% of its customers are people going on holiday. AirGo only advertises in national newspapers. The Marketing Director is worried that demand for AirGo's flights is price elastic. Last year revenue fell due to increased competition. She wants to target a different market segment such as business customers. She does not know how new legal controls to protect the environment might affect AirGo.

(a) What is meant by 'market-orientated'?

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.....[2]

(b) What is meant by demand is 'price elastic'?

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.....[2]

(c) Identify and explain **two** ways in which new legal controls to protect the environment might affect AirGo.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **two** disadvantages to AirGo of using newspapers for advertising.

Disadvantage 1: .....

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Explanation: .....

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Disadvantage 2: .....

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Explanation: .....

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.....[6]

(e) Do you think AirGo should target a different market segment? Justify your answer.

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