Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME	
CENTRE NUMBER	
CANDIDATE NUMBER	

8011414016

BUSINESS STUDIES **0450/12**

Paper 1 **February/March 2018**

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.

This 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.

CAMBRIDGE International Examinations

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[Turn over

1 Ruby is a sole trader. She produces handmade, individually designed greetings cards using job production. High quality cards are important to Ruby's customers. Ruby has 3 part-time employees who are paid an hourly wage rate. Ruby is thinking of changing from an hourly wage rate to a piece rate system, where the employees are paid depending on the quantity of products they make. Ruby thinks this will help to improve the motivation of her workforce. During festivals and celebrations she receives a higher number of orders.

(a) What is meant by 'motivation'?

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..... [2]

(b) Identify **two** disadvantages to Ruby of using job production.

Disadvantage 1:.....

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Disadvantage 2:.....

..... [2]

(c) Identify and explain **two** advantages to Ruby of having part-time employees.

Advantage 1:.....

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Explanation:.....

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Advantage 2:.....

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Explanation:.....

..... [4]

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(d) Identify and explain **two** non-financial methods of motivation which Ruby could use.

Method 1:.....

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Explanation:.....

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Method 2:.....

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Explanation:.....

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..... [6]

(e) Do you think Ruby should change the payment method she uses for her employees? Justify your answer.

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..... [6]

2 Paul is the Managing Director of a private limited company called PShirts. It manufactures and sells men's and women's shirts in country Y. Its products are priced lower than most of its competitors. Sales have fallen recently even though there has been an economic boom. Paul is thinking about starting to sell shirts in other countries. One of the directors is worried about legal controls in other countries. A summary of the accounts is shown in Table 1.

Table 1: Summary of financial statements

	2016 ($m)	**2017** ($m)
Revenue	500	350
Gross profit	210	120
Profit	160	60
Current assets	35	30
Current liabilities	15	15

(a) Identify **two** features of an economic boom.

Feature 1:.....

Feature 2:..... [2]

(b) Calculate the current ratio in 2017.

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..... [2]

(c) Identify and explain **two** disadvantages to PShirts of being a private limited company.

Disadvantage 1:.....

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Explanation:.....

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Disadvantage 2:.....

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Explanation:.....

..... [4]

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(d) Identify and explain **two** benefits to PShirts of selling in other countries.

Benefit 1:.....

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Explanation:.....

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Benefit 2:.....

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Explanation:.....

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..... [6]

(e) Do you think Paul should be worried about the change in the profit margins between 2016 and 2017? Justify your answer.

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3 STC manufactures toothpaste for the mass market. STC's products have price elastic demand as there is a high level of competition in this market. STC uses a competitive pricing strategy (method). The marketing manager is thinking of changing this pricing strategy to increase sales (see Table 2). The head office of STC is located in country X, but the factory is in country Y. There have been complaints about communication issues between the managers and workers. STC has continued to grow but the managers still have a laissez-faire leadership style.

Table 2: Forecast effect of changing price

Current price	Quantity demanded	Planned new price	Forecast quantity demanded
$2.00	100 000 per month	$1.50	150 000 per month

(a) What is meant by 'mass market'?

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..... [2]

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

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..... [2]

(c) Identify and explain **two** disadvantages to STC of business growth.

Disadvantage 1:.....

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Explanation:.....

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Disadvantage 2:.....

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Explanation:.....

..... [4]

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(d) Identify and explain **two** ways STC could improve communication between managers and workers.

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 STC should change its pricing strategy? Justify your answer.

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4 MSH is a large business providing floor cleaning services to other businesses. It has many loyal employees. When a worker does leave, new recruits are trained using on-the-job training. MSH is located in an area with a high level of unemployment. MSH is experiencing falling demand and plans to increase promotion. The manager of MSH is thinking about relocating the business to Main city, which is 50 km away. Main city has many expanding industrial areas. The manager is worried about the effect of relocation on some stakeholder groups.

(a) What is meant by 'stakeholder group'?

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..... [2]

(b) What is meant by 'on-the-job training'?

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..... [2]

(c) Identify and explain **one** advantage and **one** disadvantage to MSH of using on-the-job training.

Advantage:.....

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Explanation:.....

.....

Disadvantage:.....

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Explanation:.....

..... [4]

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(d) Identify and explain **two** ways MSH could promote its services.

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 MSH should relocate its business? Justify your answer.

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