Cambridge Assessment International Education

Cambridge IGCSE™

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

0444971363

BUSINESS STUDIES **0450/12**

Paper 1 Short Answer and Data Response **February/March 2023**

1 hour 30 minutes

You must answer on the question paper.

No additional materials are needed.

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 80.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **12** pages. Any blank pages are indicated.

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[Turn over

1 HCB manufactures cars in country X. It has 200 employees working in its factory. The business has changed its method of production due to new technology. HCB's Managing Director is considering ways to become more ethical. She is aware that other businesses in country X have started to import cars. The interest rate in country X has increased due to rising inflation.

(a) Define 'inflation'.

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..... [2]

(b) Identify **two** ways technology could change production methods.

Way 1: .....

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Way 2: .....

..... [2]

(c) Outline **two** ways HCB could become more ethical.

Way 1: .....

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Way 2: .....

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(d) Explain **two** ways HCB could be affected by an increase in the interest rate in country X.

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 manufacturing businesses will always benefit from the introduction of import tariffs? Justify your answer.

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2 WFH produces hats and sells them to a mass market. It holds a high level of inventory. The Managing Director is concerned about the liquidity of the business and has been analysing WFH's financial statements. An extract is shown in Table 2.1. The Managing Director thinks that the business might fail. Other stakeholder groups might also be interested in WFH's financial statements.

Table 2.1

Extract from WFH's financial statements ($000)		
	2021	**2022**
Current assets	60	50
Inventory	20	30
Trade receivables	25	10
Cash	15	10
Current liabilities	20	40
Profit/loss	15	(10)

(a) Identify **two** possible causes of business failure.

Cause 1: .....

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Cause 2: .....

..... [2]

(b) Calculate WFH's acid test ratio for 2022. Show your working.

Working: .....

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Final answer: ..... [2]

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(c) Identify **four** reasons why businesses hold inventory.

Reason 1: .....

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Reason 2: .....

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Reason 3: .....

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Reason 4: .....

..... [4]

(d) Explain why the following **two** stakeholder groups might be interested in WFH's financial statements.

Employees: .....

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Explanation: .....

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Suppliers: .....

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Explanation: .....

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(e) Do you think it is always better for a business to sell to a mass market? Justify your answer.

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3 AH is an insurance business. It operates in a competitive market. AH has 1000 employees including 50 supervisors. The supervisors use an autocratic leadership style. AH currently has a 5% market share and is planning to take over a competitor. The Managing Director is considering how to communicate with AH's employees about the takeover. There are many sources of finance available to fund business growth.

(a) Identify **two** responsibilities of supervisors.

Responsibility 1: .....

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Responsibility 2: .....

..... [2]

(b) Identify **two** methods of written communication.

Method 1: .....

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Method 2: .....

..... [2]

(c) Outline **two** benefits to AH of taking over a competitor.

Benefit 1: .....

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Benefit 2: .....

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(d) Explain **one** advantage and **one** disadvantage to AH of its supervisors using an autocratic leadership style.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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(e) Explain **two** sources of finance which could be used to fund business growth. Which source of finance would be the best to use? Justify your answer.

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4 Viktor is starting up a business as a photographer. He will be a sole trader. Quality control will be important. Viktor plans to use sampling when carrying out market research. There are legal controls which could affect his marketing strategy. Viktor will employ 5 photographers. He knows there are many ways to motivate employees.

(a) Identify **two** ways legal controls could affect marketing strategy.

Way 1: .....

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Way 2: .....

..... [2]

(b) Define 'quality control'.

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..... [2]

(c) Outline **two** reasons why Viktor might use sampling when carrying out market research.

Reason 1: .....

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Reason 2: .....

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(d) Explain **two** disadvantages to Viktor of operating as a sole trader.

Disadvantage 1: .....

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Explanation: .....

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Disadvantage 2: .....

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Explanation: .....

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(e) Explain **two** ways a service business could motivate its employees. Which would be the best way to use? Justify your answer.

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