UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

2489114491

BUSINESS STUDIES **0450/13**

Paper 1 **May/June 2013**

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
Do not use staples, paper clips, highlighters, 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.

This document consists of **11** printed pages and **1** blank page.

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For Examiner's Use

1 Akbar Metal is a private limited company. It manufactures parts for the bicycle industry. Workers are paid by piece rate. 60% of the company's products are sold to one customer. Akbar Metal plans to introduce flow production to meet increased demand. 'It's a good idea' says the Production manager. 'We will need to buy new machinery. This should lead to cost savings. We need to decide which source of finance to use.'

(a) What is meant by 'piece rate'?

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.....[2]

(b) Identify **two** possible cost savings for Akbar Metal of using new machinery.

Cost saving 1: .....

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Cost saving 2: .....

.....[2]

(c) Identify and explain **two** possible advantages to Akbar Metal of selling 60% of its products to one customer.

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 **three** possible problems of flow production for businesses like Akbar Metal.

For Examiner's Use

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

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Problem 3: .....

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Explanation: .....

.....[6]

(e) Explain **two** suitable sources of finance for the purchase of new machinery. Recommend which source Akbar Metal should use. Justify your answer.

Source 1: .....

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Source 2: .....

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Recommendation: .....

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.....[6]

For Examiner's Use

2 Walker Fashion makes handmade suits for men. It sells in a niche market. Each suit costs $300 to make and the company adds 40% to the total cost to calculate the selling price. Last year the company's sales fell. The Finance Director is worried. He said: 'We might have to make some skilled workers redundant if we can't improve sales.'

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

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.....[2]

(b) Calculate the selling price of a suit.

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.....[2]

(c) Identify and explain **two** benefits to Walker Fashion of having skilled workers.

Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **two** factors Walker Fashion needs to consider when setting a price for its suits.

For Examiner's Use

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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.....[6]

(e) Explain **two** methods (other than pricing) that Walker Fashion could use to improve sales. Recommend which method Walker Fashion should use. Justify your answer.

Method 1: .....

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Method 2: .....

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Recommendation: .....

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.....[6]

For Examiner's Use

3 Kipta manufactures a range of cleaning products. All products are made using batch production. The safety of workers is important as chemicals are used to make the products. Revenue is falling due to increasing competition. The owner plans to develop new products. She believes that market research would be useful to the successful introduction of any new products.

(a) What is meant by 'revenue'?

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.....[2]

(b) Identify **two** features of batch production.

Feature 1: .....

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Feature 2: .....

.....[2]

(c) Identify and explain **two** ways that Kipta could improve the safety of workers.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **three** benefits for consumers of increased competition.

For Examiner's Use

Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

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Benefit 3: .....

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Explanation: .....

.....[6]

(e) How important is market research to the successful introduction of a new product? Justify your answer.

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For Examiner's Use

4 Bolton Hotel is a family-owned hotel. Most of its revenue is made in January and February. An extract of the hotel's accounts is shown in Table 1. The Managing Director said: 'I need to find ways to improve liquidity'. He is also concerned about the high level of staff turnover. He thinks that poor motivation might be the reason for many staff leaving their jobs.

Table 1: Extract from Bolton Hotel's balance sheet ($000s)

	2011	2012
Fixed assets	300	350
Current assets:	40	30
Stock	20	20
Debtors	10	8
Cash	10	2
Current liabilities	40	50

(a) What is meant by a 'balance sheet'?

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(b) Calculate the acid test ratio for 2012.

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(c) Identify and explain **two** problems for a business caused by many of its staff leaving.

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **three** suitable ways to improve motivation of staff at Bolton Hotel.

For Examiner's Use

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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Way 3: .....

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Explanation: .....

.....[6]

(e) Explain **two** ways to improve the liquidity of the hotel. Recommend which way the Managing Director should use. Justify your answer.

Way 1: .....

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Way 2: .....

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Recommendation: .....

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.....[6]

For Examiner's Use

5 Country G has a market economy. There are no employment laws and trade unions are not allowed. GreenStar is located in country G. It sells designer clothing to retailers in Asia and Europe. GreenStar's Managing Director wants the business to grow. He is concerned that country G's appreciating exchange rate will affect the competitiveness of the business.

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

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.....[2]

(b) What is meant by a 'trade union'?

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(c) Explain the possible effect of an appreciation in country G's exchange rate on the competitiveness of GreenStar.

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(d) Identify and explain **three** reasons why the Managing Director of GreenStar might want the business to grow.

For Examiner's Use

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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Reason 3: .....

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Explanation: .....

.....[6]

(e) Do you think it would benefit businesses in country G if there were employment laws? Justify your answer.

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