Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

1784715347

BUSINESS STUDIES **0450/13**

Paper 1 **May/June 2014**

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

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

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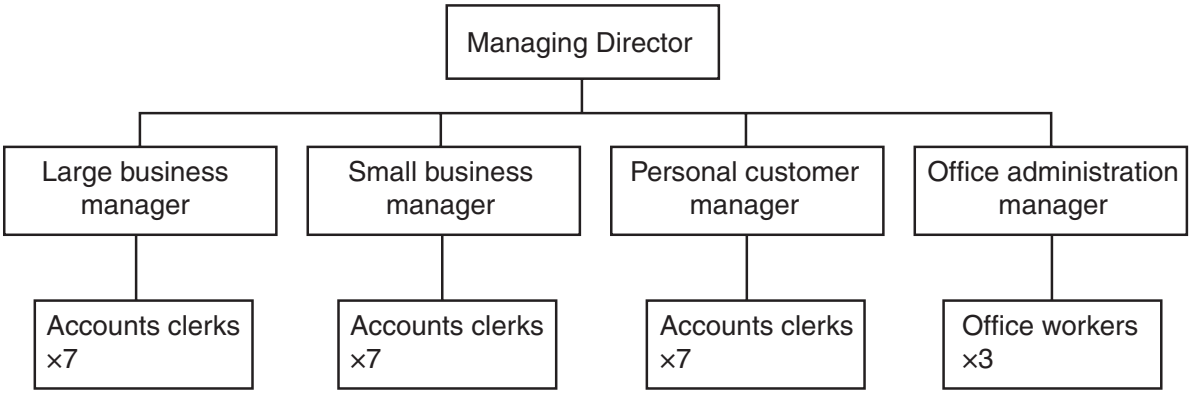
CAMBRIDGE International Examinations

[Turn over

For Examiner's Use

1 Tim is the Managing Director of TPW, which is a successful accountancy business. It prepares the accounts for small and large businesses and personal customers. Tim believes in a democratic management style. Employees are paid by time rate. Tim plans to change how employees are rewarded. Tim wants to invest in new information technology in the office. He is not sure that this will help the business increase its profits.

Fig. 1: TPW organisational chart



(a) What is meant by 'paid by time rate'?

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.....[2]

(b) Calculate the following.

The span of control for the Managing Director: .....[1]

The number of levels in the hierarchy: .....[1]

(c) Identify and explain **two** advantages to TPW of Tim's democratic management style.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **two** methods (other than time rate) that TPW could use to reward its employees.

For Examiner's 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 that introducing new information technology in the office will help improve the profitability of TPW? Justify your answer.

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2 Karl owns a fabric (cloth) wholesale business. He supplies a large range of fabrics to many small businesses in country G. Karl employs unskilled workers in his warehouse. He offers 2 months credit to all customers. Despite being a profitable business, Karl is worried about his cash flow for the next 3 months.

For Examiner's Use

Table 1: Cash flow forecast ($000's)

	Month 1	Month 2	Month 3
Opening balance	0	X	0
Cash inflows:			
Cash sales	10	40	10
Cash from debtors	38	48	58
Total cash inflow	48	88	68
Cash outflows:			
Wages	10	10	10
Payment for stock	38	48	60
Fixed costs	15	15	15
Total cash outflow	63	73	Y
Net cash flow	(15)	15	(17)
Closing balance	(15)	0	(17)

Note: numbers in brackets are negative.

(a) What is meant by 'net cash flow?'

.....

.....[2]

(b) Calculate the following.

Month 2 opening balance (X): .....

.....

Month 3 total cash outflow (Y): .....

.....[2]

(c) Identify and explain **two** possible advantages to Karl of employing unskilled workers.

Advantage 1: .....

.....

Explanation: .....

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Advantage 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **two** possible advantages to small business customers of buying from a wholesale business such as Karl's.

For Examiner's Use

Advantage 1: .....

.....

Explanation: .....

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Advantage 2: .....

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Explanation: .....

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.....[6]

(e) Explain **two** ways that Karl could use to improve his cash flow. Recommend which one he 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

3 ABC manufactures a range of cars. ABC plans to build a new type of car at its factory in country X. This will expand production capacity at the factory by 100 000 cars per year. ABC hopes to benefit from economies of scale, which should help to reduce the break-even level of output. 'It's good that we have motivated workers' said the Operations manager. ABC plans to start exporting some of its cars.

(a) What is meant by 'break-even level of output'?

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.....[2]

(b) Identify **two** factors which could influence employee motivation at ABC.

Factor 1: .....

.....

Factor 2: .....

.....[2]

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

Economy of scale 1: .....

Explanation: .....

.....

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Economy of scale 2: .....

Explanation: .....

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.....[4]

(d) Identify and explain **two** possible problems for ABC of increasing production.

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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(e) Do you think it is a good idea for ABC to start exporting some of its cars? Justify your answer.

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For Examiner's Use

4 Kyle is an entrepreneur. He plans to buy a Frydays franchise. Frydays is a leading fast food (take-away) business. Each franchise costs $100 000. Frydays would provide some promotion. 'I only need to find the right location, hire some people and raise the finance' said Kyle. 'I am certain to make a profit.'

(a) What is meant by an 'entrepreneur'?

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.....[2]

(b) Identify **two** methods of promotion Frydays might use.

Method 1: .....

Method 2: .....[2]

(c) Identify and explain **two** factors that would affect Kyle's choice of source of finance.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **two** factors that Kyle should consider when choosing a suitable location for his business.

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) Do you think that owning a franchise would mean Kyle is 'certain to make a profit'? Justify your answer.

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5 The economy of country U is enjoying an economic boom. Many new businesses are being set up in country U. There are many sources of external finance available for new businesses.

For Examiner's Use

GGC is a multinational mining company. Its directors have agreed to form a joint venture with another mining company that is already based in country U. All mine workers are members of a trade union.

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

Feature 1: .....

.....

Feature 2: .....

.....[2]

(b) Identify **two** possible advantages to mine **workers** of being members of a trade union.

Advantage 1: .....

.....

Advantage 2: .....

.....[2]

(c) Identify and explain **two** possible advantages to GGC's **management** of its mine workers being members of a trade union.

Advantage 1: .....

.....

Explanation: .....

.....

Advantage 2: .....

.....

Explanation: .....

.....[4]

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(d) Identify and explain **two** sources of external finance that GGC might use when setting up a new mine.

For Examiner's Use

Source 1: .....

Explanation: .....

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Source 2: .....

Explanation: .....

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(e) Do you think it is a good idea for GGC to form a joint venture in country U? Justify your answer.

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