Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME	
CENTRE NUMBER	
CANDIDATE NUMBER	

2629156417

BUSINESS STUDIES **0450/13**

Paper 1 **May/June 2015**

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 **10** printed pages and **2** blank pages.

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1 GK Hotel is a small hotel in the city centre. It has 15 rooms. Most of its customers are tourists. Last year the number of customers fell due to changes in consumer spending patterns and increased competition. The Marketing manager believes GK must attract customers from different market segments if the hotel is to increase its profits. His plan is to improve the GK website. He is not sure whether he should change the cost plus pricing method he uses.

Table 1: Cost and price data for GK Hotel

Average price per room	$40
Variable cost per room	$20
Total fixed costs per month	$4000
Average number of rooms booked and paid for per month	250

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

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.....[2]

(b) Identify **two** reasons why consumer spending patterns might change.

Reason 1: .....

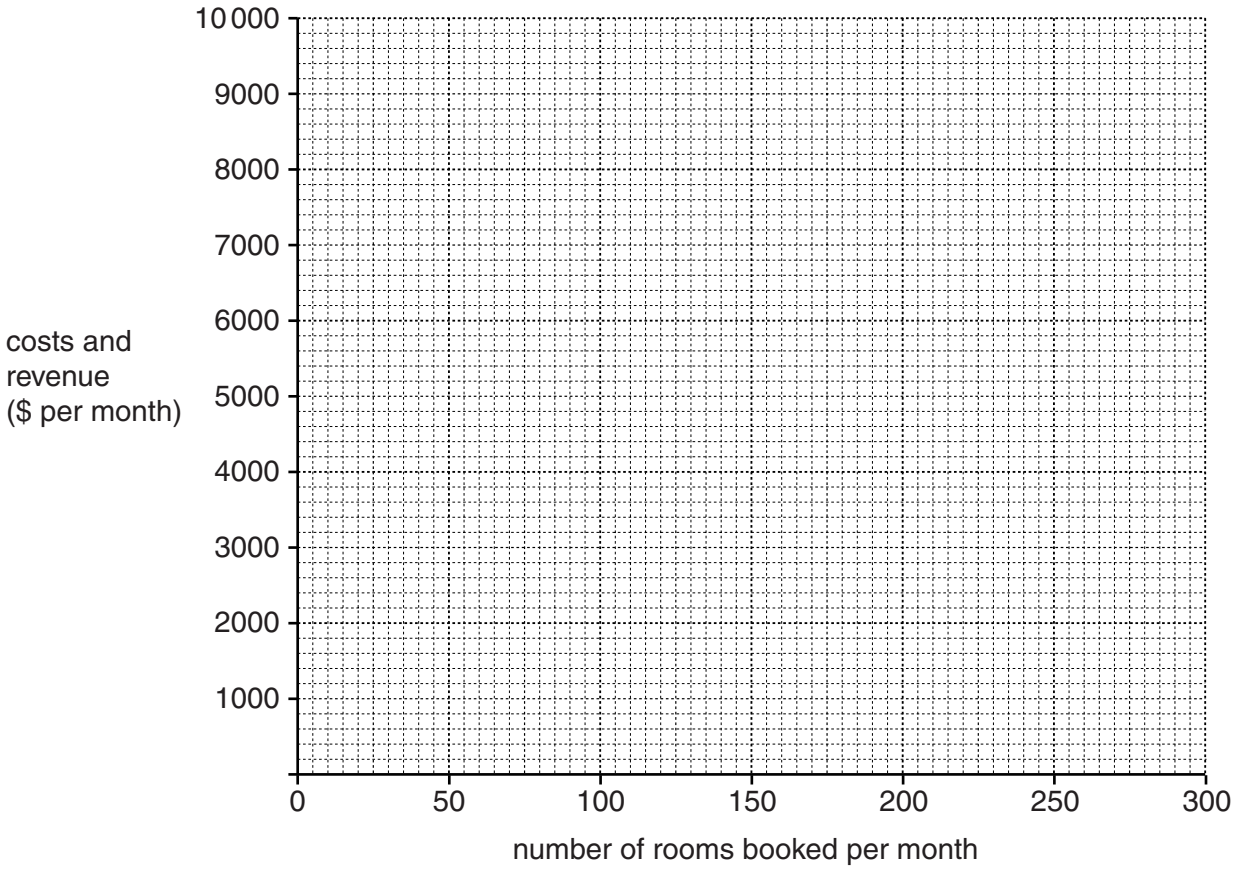
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Reason 2: .....

.....[2]

(c) Using the information in Table 1, draw a break-even chart for GK Hotel on Figure 1. [4]

Figure 1



(d) Identify and explain **two** benefits to GK Hotel of having a website.

Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

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(e) Do you think that cost plus pricing is the best pricing method for GK Hotel to use? Justify your answer.

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2 Camille is an entrepreneur. She owns a popular and successful hairdressing business. Camille wants to expand her small business. Camille currently employs 5 part-time workers, but she will have to recruit 3 more workers who will need on-the-job training. She thinks that her laissez-faire leadership style will have to change as her business grows.

(a) Identify **two** ways to measure the size of a business (other than number of employees).

Way 1: .....

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Way 2: .....

.....[2]

(b) Identify **two** characteristics of a successful entrepreneur.

Characteristic 1: .....

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Characteristic 2: .....

.....[2]

(c) Identify and explain **two** advantages to Camille of employing **part-time** workers.

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** problems for Camille of using on-the-job training.

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

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(e) Camille thinks that her laissez-faire leadership style will have to change as her business grows. Do you agree? Justify your answer.

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3 Bowland manufactures bicycles from components purchased from suppliers. The production method makes use of specialisation. The Finance manager said: 'It has been a successful year because profit is up. However cash flow is still negative. Trade receivables (debtors) have increased and we have purchased a lot of new equipment.' Bowland's management believes that improving quality has been the most important reason why bicycle sales have increased.

(a) What is meant by 'specialisation'?

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(b) Identify **two** ways (other than profit) that Bowland could use to measure its success.

Way 1: .....

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Way 2: .....

.....[2]

(c) Identify and explain **two** reasons why cash flow is important to Bowland.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** ways in which Bowland could improve its cash flow.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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(e) Bowland's management believes that improving quality has been the most important reason why sales have increased. Do you agree? Justify your answer.

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4 BRZ sells outdoor clothing, such as waterproof trousers and coats, in country X. It imports most of its inventory (stock) from low wage countries. 'Globalisation has changed how we do business. It offers many opportunities but I have to consider import quotas and exchange rates' said the Operations Director. BRZ tries to act in an ethical way with all its stakeholders. The Operations Director is not sure if it is possible for BRZ to be both ethical and profitable.

(a) What is meant by an 'import quota'?

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(b) What is meant by 'inventory (stock)'?

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(c) Explain how a depreciation in the value of country X's currency might affect the profits of BRZ.

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(d) Identify and explain **two** opportunities that globalisation might offer BRZ.

Opportunity 1: .....

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Explanation: .....

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Opportunity 2: .....

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Explanation: .....

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(e) Do you think it is possible for companies such as BRZ to be both ethical and profitable? Justify your answer.

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