Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

1579752302

BUSINESS STUDIES **0450/13**

Paper 1 **May/June 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.

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1 Rosa is a successful entrepreneur. Her business makes beauty products that she creates including hand and face creams. She employs 5 production workers and Rosa enjoys being in control of everything else including design and marketing. Rosa uses social networks for promoting the business. She said: 'Increasing added value is important. I am expecting revenue to increase by 300% in 2018. At this rate of growth, I will need a bigger factory. I would like to have customers in other countries so I hope there are no import quotas!' Rosa has to decide whether to continue to expand the business or keep it small.

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

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(b) Rosa's revenue was $5000 in 2017. Calculate her expected increase in revenue in 2018.

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..... [2]

(c) Identify and explain **two** ways Rosa could increase added value.

Way 1:.....

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Explanation:.....

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Way 2:.....

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Explanation:.....

..... [4]

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(d) Identify and explain **one** advantage and **one** disadvantage to Rosa's business of using social networks for promotion.

Advantage:.....

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Explanation:.....

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Disadvantage:.....

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Explanation:.....

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..... [6]

(e) Do you think Rosa should continue to expand her business? Justify your answer.

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2 ASZ is a public limited company. It makes a range of garden tools such as digging forks and wheelbarrows using production methods which have not changed for many years. ASZ sells all of its products to a wholesaler. The Marketing Director is considering changing the channel of distribution by selling products directly to retailers. The Operations Director has prepared some revenue and cost data to help make decisions (see Table 1). ASZ is planning to introduce new technology which will change production methods.

Table 1: Revenue and cost data for Product H for last 6 months

Revenue	$35 000
Fixed costs	$20 000
Total variable costs	**X**
Total costs	$38 000
Profit / (loss)	**Y**
Number of units produced	1000

(a) What is meant by 'public limited company'?

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..... [2]

(b) Calculate the values for **X** and **Y**.

X: .....

Y: ..... [2]

(c) Identify and explain **two** ways in which ASZ could use cost data to help make decisions.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** ways in which new technology could change production methods at ASZ.

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 ASZ should change its channel of distribution? Justify your answer.

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3 AUC is a bank. Its organisational structure has a tall hierarchy and long chain of command. Most of its customers are small businesses in the tertiary sector. Last year AUC made a loss of $60m. The new Managing Director has to improve employee motivation as well as reduce costs. 20% of its 19 000 employees will be made redundant. She said: 'Maintaining customer loyalty is important. We will need to inform our customers that 500 of our 2000 retail bank branches will be closed.'

(a) What is meant by 'chain of command'?

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..... [2]

(b) Identify **two** examples of business activity in the tertiary sector.

Example 1:.....

Example 2:..... [2]

(c) Identify and explain **two** reasons why maintaining customer loyalty is important to AUC.

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** factors that AUC should consider when deciding which employees to make redundant.

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 of communication that AUC could use to inform customers about the planned closures. Recommend which one AUC should use. Justify your answer.

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4 CLG owns six airports in country L. The directors want to expand its main airport by building another runway for aircraft to take off and land. It will cost $300m. Choosing an appropriate source of finance will be important. The Managing Director said: 'CLG could offer 50 extra flights a day. There are environmental pressures including the loss of green spaces and extra pollution. There will be external benefits as well. I hope the Government allows the new runway to be built.' Interest rates increased in 2017.

Table 2: Extract from financial data 2017 ($m)

Non-current assets	350
Non-current liabilities	230
Shareholders' equity	240

(a) What is meant by 'shareholder'?

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..... [2]

(b) Identify **two** reasons why a business might need short-term finance.

Reason 1:.....

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Reason 2:.....

..... [2]

(c) Identify and explain **two** ways increased interest rates could affect CLG.

Way 1:.....

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Explanation:.....

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Way 2:.....

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Explanation:.....

..... [4]

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(d) Identify and explain **two** factors (other than interest rates) that CLG should consider when choosing a source of finance to pay for the expansion.

Factor 1:.....

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Explanation:.....

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Factor 2:.....

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Explanation:.....

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..... [6]

(e) Considering the external costs and external benefits, do you think the Government should allow CLG to build the new runway? Justify your answer.

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