Cambridge Assessment International Education

Cambridge IGCSE™

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

8417120905

BUSINESS STUDIES **0450/13**

Paper 1 Short Answer and Data Response **May/June 2020**

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. Blank pages are indicated.

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[Turn over

1 RGP owns a number of luxury hotels. The directors are planning to open a new hotel with 200 rooms. The hotel's location will be in the city centre. The Human Resources Director said: 'One of my roles is to recruit the 300 employees RGP will need from the local community. I think selecting new employees with the right personality is more important than their experience. Everyone will have 6 weeks of induction training.' She knows that effective communication between employees and customers will be important to the success of the hotel.

(a) Define 'induction training'.

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(b) Identify **two** ways a business could advertise a new job vacancy.

Way 1: .....

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Way 2: .....

..... [2]

(c) Outline **two** reasons why effective communication between RGP's employees and customers is important.

Reason 1: .....

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Reason 2: .....

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(d) Explain **one** advantage and **one** disadvantage to RGP of choosing a location in the city centre.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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(e) Do you think selecting employees with the right personality is more important than their experience for a tertiary sector business? Justify your answer.

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2 RVC uses batch production to manufacture a large range of products including soap and shampoo. Many of the products are at different stages of the product life cycle. The Marketing Director has been reviewing some data for one brand of soap, as shown in Table 2.1. She said: 'Last year sales were 80 000 units a week. I want to know the current level of profit and margin of safety.' The Marketing Director has to decide on a suitable extension strategy. The choice is between new packaging or targeting new markets.

Table 2.1

Cost, price and sales data for one brand of RVC's soap	
Selling price	$2.50
Fixed costs per week	$20 000
Average variable costs	$0.90
Number of sales per week	40 000

(a) Define 'margin of safety'.

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(b) Identify **two** stages of the product life cycle.

Stage 1: .....

Stage 2: ..... [2]

(c) Using Table 2.1, calculate the weekly profit. Show your working.

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(d) Explain **one** benefit and **one** limitation to RVC of using batch production.

Benefit: .....

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Explanation: .....

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Limitation: .....

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Explanation: .....

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(e) Do you think targeting new markets is a better extension strategy than new packaging for a manufacturing business ? Justify your answer.

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3 PCS is a multinational company in the private sector. It makes 500 brands of soft drinks which are sold in plastic bottles. PCS has a large marketing budget for promotion. Many of the countries where PCS sell its products have introduced legal controls to reduce the amount of litter (trash). PCS plans to start recycling plastic bottles. PCS's Operations Manager said: 'Everything has an opportunity cost. We want to protect the environment but recycling costs money.'

(a) Define 'opportunity cost'.

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(b) State **two** features of a private sector business.

Feature 1: .....

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Feature 2: .....

..... [2]

(c) Identify **four** aims of promotion.

Aim 1: .....

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Aim 2: .....

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Aim 3: .....

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Aim 4: .....

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(d) Explain **two** advantages to PCS of being a multinational company.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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(e) Do you think all manufacturing businesses should use recycled materials? Justify your answer.

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4 LXA is a private limited company based in country Z. It makes children's clothing. LXA sells its products in competitive markets in several countries. LXA's directors are considering different ways for the business to grow. The Finance Director has prepared some financial information before meeting with some of LXA's stakeholders. An extract is shown in Table 4.1. The Marketing Director wants LXA to start producing clothing for adults.

Table 4.1

Extract of LXA's financial data		
	2019	**2018**
Working capital ($000)	180	200
Acid test ratio	0.5	0.7
Return on Capital Employed (ROCE)	6%	8%
Gross profit margin	20%	25%

(a) Define 'Return on Capital Employed'.

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(b) Define 'working capital'.

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(c) Outline **two** possible problems for LXA if the business grows.

Problem 1: .....

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Problem 2: .....

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(d) Explain **one** way each of the following stakeholder groups might use LXA's financial information.

Suppliers: .....

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Explanation: .....

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Shareholders: .....

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Explanation: .....

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(e) Do you think a business should use the same marketing mix to sell its products to different age groups? Justify your answer.

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