Cambridge Assessment International Education

Cambridge IGCSE™

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

3241365954

BUSINESS STUDIES **0450/13**

Paper 1 Short Answer and Data Response **May/June 2021**

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. Any blank pages are indicated.

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[Turn over

1 WYP is a business partnership. Greg and his 3 friends started the business 7 years ago. WYP make eyeglasses (spectacles) which are only sold through its website. The price of each pair of glasses is $95. This is $200 cheaper than its main competitor. Greg said: 'It was difficult at the start as we could not get trade credit. We also knew it would take time to develop customer loyalty.' Greg thinks choosing the right method of promotion is important to the success of any new product.

(a) Define 'partnership'.

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..... [2]

(b) Define 'customer loyalty'.

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(c) Outline **two** possible reasons why WYP could not get trade credit.

Reason 1: .....

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Reason 2: .....

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..... [4]

(d) Explain **two** possible problems for WYP of selling products at low prices.

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 promotion is more important than product for a new business? Justify your answer.

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2 Nadia started her successful hairdressing business 4 years ago. Maintaining quality has always been important to Nadia. She said: 'I started with no experience of business plans, recruitment, cash flow or profit. I did not understand how economic issues such as inflation could affect a business. Now I have 5 hairdressing shops and 20 employees. Last year I made a profit of $100 000.' Nadia is planning to expand her business. One way she could do this is by selling franchises.

(a) Define 'business plan'.

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..... [2]

(b) Identify **two** stages in the recruitment process.

Stage 1: .....

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Stage 2: .....

..... [2]

(c) Outline **one** advantage and **one** disadvantage to Nadia's business of selling franchises to expand.

Advantage: .....

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Disadvantage: .....

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..... [4]

(d) Explain **two** possible effects of an increase in the rate of inflation on Nadia's business.

Effect 1: .....

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Effect 2: .....

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..... [6]

(e) Do you think making a profit is more important for a growing business than managing cash flow? Justify your answer.

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3 CTF is an ethical business. It manufactures a range of toys. CTF operates in a competitive market. Over the years technology has changed production at CTF. The Operations Manager is analysing break-even information. An extract of the cost and revenue data for product X is shown in Table 3.1. Following the closure of its local supplier, the Operations Manager is considering importing raw materials for product X.

Table 3.1

Cost and revenue data for product X in 2020	
Fixed costs	$210 000
Variable cost per toy	$25
Price per toy	$40
Output	18 000

(a) Define 'ethical business'.

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(b) Calculate the total variable cost for product X.

Show your working.

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(c) Outline **one** benefit and **one** limitation to CTF of using break-even analysis.

Benefit: .....

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Limitation: .....

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..... [4]

(d) Explain **two** ways that technology might have changed production at CTF.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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(e) Do you think reliability of the supplier is the most important factor for a large manufacturing business to consider when deciding whether to import materials? Justify your answer.

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4 DCN is a large chemical company. It has 8 000 employees across its 3 factories. DCN has agreed to set up a joint venture with a glass making business to develop a new type of environmentally friendly packaging. DCN's Managing Director said: 'There are disadvantages to a joint venture. The companies have different leadership styles and business objectives. We will need to look at ways to overcome possible communication barriers.'

(a) Define 'business objective'.

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..... [2]

(b) Identify **two** ways that business activity might affect the environment.

Way 1: .....

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Way 2: .....

..... [2]

(c) Identify **four** examples of communication barriers.

Example 1: .....

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Example 2: .....

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Example 3: .....

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Example 4: .....

..... [4]

(d) Explain **two** possible advantages to DCN of setting up a joint venture with the other business.

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 autocratic leadership is the most effective style for managers to use when an organisation has a large number of employees? Justify your answer.

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