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*6006910796*

**BUSINESS STUDIES** **0450/12**

Paper 1 Short Answer and Data Response **May/June 2023**

**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** FBW manufactures watches using job production. It employs 5 full-time production employees. Each worker is offered regular training. Last year FBW sold 600 watches. The Managing Director plans to use break-even analysis to help decide whether to increase the price of its products. FBW's current break-even chart is shown in Fig. 1.1.

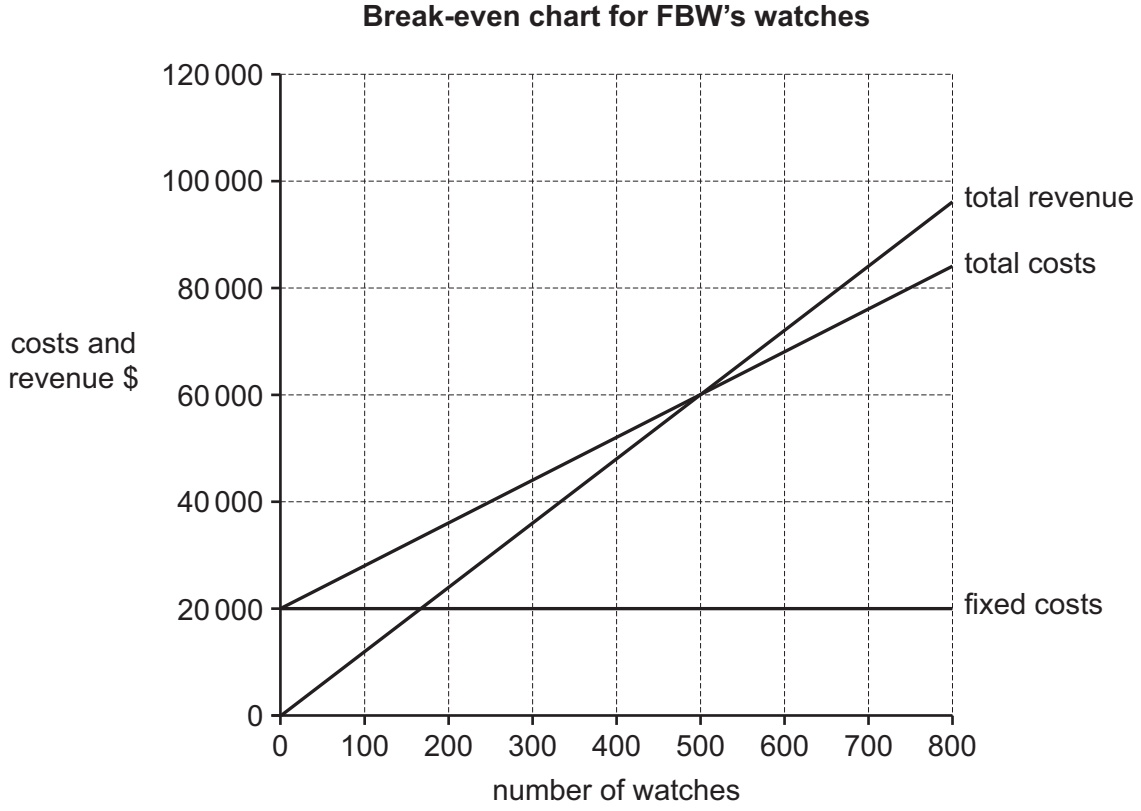



**Fig. 1.1**

**(a)** Identify **two** reasons why a business might offer training to its employees.

Reason 1: .....

.....

Reason 2: .....

..... [2]

**(b)** Calculate the following values using Fig. 1.1:

Break-even output: .....

Break-even revenue: ..... [2]

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**(c)** Outline **two** possible effects on FBW's break-even chart if the prices of its products are increased.

Effect 1: .....

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Effect 2: .....

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..... [4]

**(d)** Explain **two** benefits to FBW of having full-time employees.

Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

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..... [6]

**(e)** Do you think job production is the best method of production for a small business to use? Justify your answer.

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..... [6]

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**2** Gloria is a sole trader. Her business provides house-cleaning services. Gloria uses telephone calls to communicate with her 4 employees. She wants to expand the business by offering a repair service. Gloria plans to carry out some market research. She has been told producing a business plan can help to reduce risk. Gloria would also like to reduce her workload and is considering taking on a business partner.

**(a)** Identify **two** ways a business plan can help a business to reduce risk.

Way 1: .....

.....

Way 2: .....

..... [2]

**(b)** Identify **two** possible reasons why a business might want to expand.

Reason 1: .....

.....

Reason 2: .....

..... [2]

**(c)** Outline **one** advantage and **one** disadvantage to Gloria of using telephone calls as a method of communication with her employees.

Advantage: .....

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Disadvantage: .....

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..... [4]

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**(d)** Explain **two** factors Gloria should consider when deciding whether to take on a business partner.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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**(e)** Explain **two** methods of primary market research a business could use to find out the demand for a new product or service. Which would be the best method to use? Justify your answer.

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**3** VVA is a business based in country X. It manufactures school backpacks (bags). VVA uses retailers as its channel of distribution. The Managing Director knows there are many factors that can affect demand including the stage of the business cycle and how competitive the market is. VVA imports 45% of its raw materials. The Managing Director is worried that the introduction of import tariffs and import quotas, as well as an appreciation in country X's exchange rate, will affect VVA.

**(a)** Define 'import tariff'.

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**(b)** Identify **two** reasons why some markets can become more competitive.

Reason 1: .....

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Reason 2: .....

..... [2]

**(c)** State the **four** stages of the business cycle**.**

1: .....

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2: .....

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3: .....

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4: .....

..... [4]

**(d)** Explain **one** possible effect of the following changes on VVA when importing raw materials:

Introduction of import quotas in country X: .....

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Explanation: .....

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Appreciation of country X's exchange rate: .....

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Explanation: .....

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**(e)** Do you think retailers are the best channel of distribution for a manufacturing business to use? Justify your answer.

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**4** CPF is a clothing retailer. It is a private limited company. It has 4 shops and 30 employees. The Finance Director is concerned about the amount of current assets because working capital is important. The amount of retained profit is also low. CPF's directors are planning to expand the business by opening a new shop. A suitable source of long-term finance will need to be identified. The plan to expand will affect many of CPF's stakeholder groups.

**(a)** Define 'retained profit'.

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..... [2]

**(b)** Define 'current assets'.

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..... [2]

**(c)** Outline **two** possible reasons why working capital is important for CPF.

Reason 1: .....

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Reason 2: .....

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..... [4]

**(d)** Explain **one** way each of the following stakeholder groups might be affected by CPF's plans to expand its business.

Employees: .....

.....

Explanation: .....

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Suppliers: .....

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Explanation: .....

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..... [6]

**(e)** Do you think it is better for a private limited company to use debt (e.g. a loan) or equity (issuing more shares) as a source of long-term finance? Justify your answer.

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