UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

0731346511

BUSINESS STUDIES **0450/12**

Paper 1 **October/November 2010**

1 hour 45 minutes

Candidates answer on the Question Paper.
No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
Do not use staples, paper clips, highlighters, 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.

For Examiner's Use	
1	
2	
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5	
Total	

This document consists of **11** printed pages and **1** blank page.

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For Examiner's Use

1 Mike is a sole trader. He owns a shop selling fruit and vegetables. 'I am always looking for ways of increasing my profits' he said, 'but it is hard to compete against big supermarket shops. I have low profit margins on most of my goods so I cannot cut prices any more.' The business also has an overdraft with the bank.

(a) Identify **two** variable costs of Mike's business.

Variable cost 1: .....

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Variable cost 2: .....

.....[2]

(b) What is meant by a 'low profit margin'?

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.....[2]

(c) Identify and explain **two** advantages to Mike of using a bank overdraft.

Advantage 1: .....

Explanation: .....

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Advantage 2: .....

Explanation: .....

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.....[4]

(d) Identify and explain **three** methods that Mike could use to compete against larger competitors.

For Examiner's Use

Method 1: .....

Explanation: .....

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Method 2: .....

Explanation: .....

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Method 3: .....

Explanation: .....

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.....[6]

(e) Do you think Mike should take on a business partner? Justify your answer.

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For Examiner's Use

2 Imogen is a Human Resources manager in a chain of hotels. Recruiting and retaining employees is a major part of her job. 'Recruiting staff is easy but keeping them is much harder' she said. The employees are paid a wage plus a bonus but wages are low. All employees are given an employment contract when they join the company.

(a) Identify **two** items that are in an employment contract.

Item 1: .....

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Item 2: .....

.....[2]

(b) What is meant by a 'bonus'?

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(c) Identify and explain **two** possible reasons why wage levels are low in this business.

Reason 1: .....

Explanation: .....

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Reason 2: .....

Explanation: .....

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.....[4]

(d) Other than paying higher wages, identify and explain **three** methods that Imogen could use to help keep staff.

For Examiner's Use

Method 1: .....

Explanation: .....

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Method 2: .....

Explanation: .....

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Method 3: .....

Explanation: .....

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.....[6]

(e) Do you think that it is always important for a business to reduce the number of employees leaving each year? Justify your answer.

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3 Manfred is the Finance Director of a large public limited company BTX. After looking at the data in Table 1, Manfred was worried that BTX might be facing problems.

For Examiner's Use

Table 1: Selected Financial Data for BTX ($'000s)

	2008	2009
Sales	1200	800
Net profit	200	100
Capital employed	1000	400
Dividends	150	20

The current ratio was 1.2 in 2008 and 1.5 in 2009.

(a) What is meant by 'dividends'?

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(b) Calculate the return on capital employed (ROCE) in 2009.

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(c) Explain how ROCE can be used to assess the performance of a company.

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(d) Identify and explain **three** ways by which the company can improve its net profits.

For Examiner's Use

Way 1: .....

Explanation: .....

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Way 2: .....

Explanation: .....

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Way 3: .....

Explanation: .....

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(e) Do you think that the management of BTX should be worried about the performance of the company in 2009? Justify your answer.

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For Examiner's Use

4 Gorgeous Chocs is a manufacturer of high quality chocolates. The company spends a lot of money on marketing but the management knows that it is important that such spending is cost effective. The company accountant has just introduced new financial budgets for each department.

(a) What is meant by 'cost effective'?

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.....[2]

(b) What is meant by a 'financial budget'?

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(c) Identify and explain **two** factors that Gorgeous Chocs needs to consider in designing the packaging for its products.

Factor 1: .....

Explanation: .....

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Factor 2: .....

Explanation: .....

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.....[4]

(d) Identify and explain **three** factors that Gorgeous Chocs should consider when advertising its products.

For Examiner's Use

Factor 1: .....

Explanation: .....

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Factor 2: .....

Explanation: .....

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Factor 3: .....

Explanation: .....

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(e) Do you think that the prices charged by Gorgeous Chocs for its products are important in determining the success of these products? Justify your answer.

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For Examiner's Use

5 ATC is a large exporting company with many offices throughout the world. The senior managers know that effective communication is vital in such a large business. Recently the management held a meeting to consider ways of improving communication in the business. Discussion focused on the problems of one-way communication and the importance of feedback.

(a) What is meant by 'one-way communication'?

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.....[2]

(b) Identify **two** benefits of the telephone as a means of communication.

Benefit 1: .....

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Benefit 2: .....

.....[2]

(c) Identify and explain **two** benefits to the management of receiving feedback from employees.

Benefit 1: .....

Explanation: .....

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Benefit 2: .....

Explanation: .....

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.....[4]

(d) ATC invests heavily in new technology in its business. Identify and explain **three** benefits that ATC may gain from this investment in new technology.

For Examiner's Use

Benefit 1: .....

Explanation: .....

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Benefit 2: .....

Explanation: .....

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Benefit 3: .....

Explanation: .....

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(e) As a large employer of people, ATC knows that it must follow all the laws that affect people at work. Do you think that such laws benefit both ATC and its staff? Justify your answer.

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