UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

2526431223

BUSINESS STUDIES **0450/13**

Paper 1 **October/November 2011**

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.

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1	
2	
3	
4	
5	
Total	

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

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1 Klaus is a sole trader who owns a window cleaning business. In the past, he cleaned windows himself, but now he is the manager and employs other people to do the cleaning. In order to attract new customers, Klaus puts advertisements for his business in local shop windows. Klaus plans to continue to expand his business, but knows he will need more capital.

Table 1 shows data for a typical week for Klaus' business.

Table 1

Average price per customer	$10
Variable cost per customer	$2
Weekly overheads	$400
Number of customers	60

(a) What is meant by the term 'variable cost'?

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..... [2]

(b) Identify **two** advantages to Klaus of using local shop windows to advertise his business.

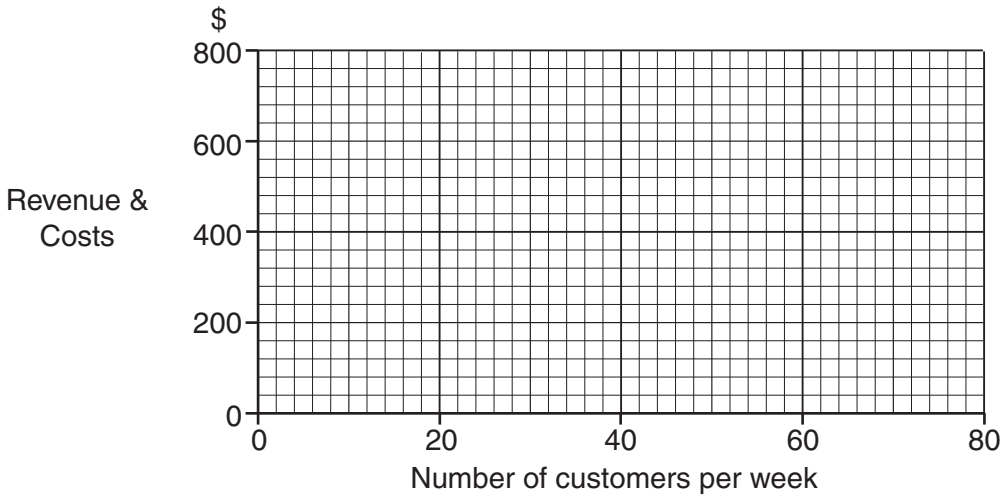
Advantage 1: .....

.....

Advantage 2: .....

..... [2]

(c) Using the data given in Table 1, draw a break-even chart for Klaus' business.



[4]

(d) Identify and explain **three** management functions that Klaus performs.

For Examiner's Use

Function 1: .....

Explanation: .....

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Function 2: .....

Explanation: .....

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Function 3: .....

Explanation: .....

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..... [6]

(e) Recommend to Klaus **two** appropriate ways in which he could raise capital to expand his business. Justify your answer.

Way 1: .....

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Way 2: .....

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..... [6]

For Examiner's Use

2 Nigel owns a recruitment agency. If a company needs temporary workers, Nigel's business will find them. Nigel rents an office in the centre of town. His business has a reputation for being very efficient. Nigel employs office workers who promote his business by continually updating the company website. Nigel is an entrepreneur who takes risks to make a profit. He believes that the economic future of his country depends on small businesses such as his.

(a) What is meant by the term 'profit'?

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..... [2]

(b) Identify **two** overhead costs that Nigel's business would incur.

Overhead cost 1: .....

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Overhead cost 2: .....

..... [2]

(c) Identify and explain **two** reasons why being efficient should help Nigel's business to remain successful.

Reason 1: .....

Explanation: .....

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Reason 2: .....

Explanation: .....

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..... [4]

(d) Identify and explain **three** advantages to Nigel's business of using a website to promote its services.

For Examiner's Use

Advantage 1: .....

Explanation: .....

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Advantage 2: .....

Explanation: .....

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Advantage 3: .....

Explanation: .....

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..... [6]

(e) Do you think that Governments should help people start up small businesses by offering financial support? Justify your answer.

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For Examiner's Use

3 Crispy Crunch is the brand name of a breakfast cereal made by Banbury. The business spends a lot of money on promoting its brands. Some Banbury managers think this spending is not cost effective. 'Perhaps modernising our factories to automate the production process would be a better use of our capital' said one manager, 'I think a lot of our marketing expenditure is wasted'.

(a) What is meant by the term 'brand name'?

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..... [2]

(b) What is meant by the term 'capital'?

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..... [2]

(c) Identify and explain **two** reasons why spending money on advertising might not be cost effective.

Reason 1: .....

Explanation: .....

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Reason 2: .....

Explanation: .....

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..... [4]

(d) Identify and explain **three** factors that a company should consider in deciding on the name for a new brand of breakfast cereal.

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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..... [6]

(e) Do you think that automation in the factory would benefit Banbury's employees and shareholders? Justify your answer.

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4 Wesso is a large manufacturing business. Many workers complain about poor communication in the business. Wesso pays its factory workers a basic wage plus a bonus. The Human Resources Director wants to introduce new working practices in its factories, such as making workers more flexible in their jobs. The aim is to improve productivity and cut costs. The trade union leader is opposed to these changes.

(a) What is meant by the term 'productivity'?

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..... [2]

(b) Identify **two** reasons why communication within a large business is often difficult.

Reason 1: .....

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Reason 2: .....

..... [2]

(c) Identify and explain **two** possible reasons why Wesso uses bonuses as a means of paying staff.

Reason 1: .....

Explanation: .....

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Reason 2: .....

Explanation: .....

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..... [4]

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(d) Identify and explain **three** non-financial ways of motivating the staff in a business.

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Way 1: .....

Explanation: .....

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Way 2: .....

Explanation: .....

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Way 3: .....

Explanation: .....

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..... [6]

(e) How can the management at Wesso persuade the trade union to accept the proposed changes in working practices? Justify your answer.

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5 The Government of country Z has decided to invest a large amount of capital in building a new road system. Some people don't like the decision because of the social costs that it will create. However, most businesses think the decision is a good one. The business sector would also like to see the Government lower taxes on goods and remove some of the consumer protection and employment laws that it claims increase business costs.

(a) Identify **two** ways that employees may be protected at work by employment laws.

Way 1: .....

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Way 2: .....

..... [2]

(b) Identify **two** reasons why Governments put taxes on goods.

Reason 1: .....

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Reason 2: .....

..... [2]

(c) Identify and explain **two** reasons why many business managers think the decision to build more roads is a good one.

Reason 1: .....

Explanation: .....

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Reason 2: .....

Explanation: .....

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..... [4]

(d) Identify and explain **three** social costs that the road building programme might create.

For Examiner's Use

Cost 1: .....

Explanation: .....

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Cost 2: .....

Explanation: .....

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Cost 3: .....

Explanation: .....

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..... [6]

(e) The management of many businesses in the private sector think that consumer and employment legislation increases business costs. Do you think society would benefit from a reduction in such laws? Justify your answer.

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