UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

5066354968

BUSINESS STUDIES **0450/11**

Paper 1 **October/November 2013**

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 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.

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

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For Examiner's Use

1 Earnshaw is a company that buys raw materials and components in bulk. It uses them to manufacture furniture using flow production methods. Productivity in the factory is high. Currently Earnshaw has high costs of holding stock. The Managing Director wants to introduce lean production methods.

(a) What is meant by 'productivity'?

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..... [2]

(b) Identify **two** advantages to Earnshaw of buying raw materials in bulk.

Advantage 1: .....

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Advantage 2: .....

..... [2]

(c) Identify and explain **two** features of flow production.

Feature 1:.....

.....

Explanation: .....

.....

Feature 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **three** benefits to Earnshaw of using lean production methods.

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Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

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Benefit 3: .....

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Explanation: .....

..... [6]

(e) 'If Earnshaw is to grow in the future then its unit production costs must fall'.
Do you agree? Justify your answer.

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..... [6]

2 Muammar sells boxes of spices to markets. Workers in Muammar's business are paid on a piece rate basis. Table 1 gives financial details of the business in 2012.

For Examiner's Use

Table 1

Fixed costs per month	$10 000
Employee wages	$2 per box
Raw materials	$3 per box
Marketing costs	$1 per box
Selling price	$8 per box
Sales per month [average]	9000 boxes

(a) Identify **two** examples of fixed costs for Muammar's business.

Example 1: .....

Example 2: ..... [2]

(b) Identify **two** reasons why sales may vary from month to month.

Reason 1: .....

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Reason 2: .....

..... [2]

(c) Calculate the annual profit that Muammar made in 2012.

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(d) Identify and explain **one** advantage and **one** disadvantage to Muammar of using piece rate to pay his workers.

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Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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..... [6]

(e) Muammar is planning to change the selling price of the boxes to $7 each. Do you think this change would benefit the business? Justify your answer.

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For Examiner's Use

3 Yura is the Managing Director of a company that sells holidays. The company organises hotels, air flights and car hire for customers. For the first time, the company is going to do some market research. Secondary sources will be used and a sample of customers will be selected for primary research.

(a) What is meant by 'market research'?

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..... [2]

(b) Identify **two** advantages of using secondary sources.

Advantage 1: .....

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Advantage 2: .....

..... [2]

(c) Identify and explain **two** methods of sampling that the company could use.

Method 1: .....

Explanation: .....

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Method 2: .....

Explanation: .....

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..... [4]

(d) Identify and explain **two** ways of segmenting the market for holidays that the company could use.

For Examiner's Use

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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..... [6]

(e) Yura believes that the price is the most important part of the marketing mix for holidays. Do you think that he is correct? Justify your answer.

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4 Table 2 gives data about the economy of country C.

For Examiner's Use

Table 2

Year	National income per person ($)	Inflation (%)	Unemployment (%)
2010	650	5	10
2011	640	3	12
2012	600	1.5	18

The economy of country C is in recession. The Government wants to create more jobs by encouraging more businesses to start up. However some pressure groups are against this because they think that more businesses will cause more external (social) costs.

(a) What is meant by 'recession'?

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..... [2]

(b) Identify **two** possible reasons why national income per person has fallen between 2010 and 2012.

Reason 1: .....

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Reason 2: .....

..... [2]

(c) Identify and explain **two** ways that a Government could help new businesses to start up.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **three** external (social) costs that might be caused by an increase in the number of businesses in country C.

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Cost 1: .....

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Explanation: .....

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Cost 2: .....

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Explanation: .....

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Cost 3: .....

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Explanation: .....

..... [6]

(e) Do you think that new start-up businesses can be successful in country C? Justify your answer.

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For Examiner's Use

5 Dmit is a partner in a small retail clothing business. The business has been successful, but it is finding it difficult to compete against larger retailers. The partners are thinking of converting the partnership into a private limited company.

(a) Identify **two** features of a partnership.

Feature 1: .....

.....

Feature 2: .....

..... [2]

(b) Identify **two** ways of measuring the success of a business.

Way 1: .....

.....

Way 2: .....

..... [2]

(c) Identify and explain **two** reasons why the business might be finding it difficult to compete against larger retailers.

Reason 1: .....

.....

Explanation: .....

.....

Reason 2: .....

.....

Explanation: .....

..... [4]

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(d) Identify and explain **three** methods of promotion that the partnership could use to increase sales.

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Method 1: .....

Explanation: .....

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Method 2: .....

Explanation: .....

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Method 3: .....

Explanation: .....

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..... [6]

(e) Consider the advantages and disadvantages of converting the partnership into a private limited company. Recommend whether the partners should do this. Justify your answer.

Advantages: .....

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Disadvantages: .....

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Recommendation: .....

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