UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

8058828T

BUSINESS STUDIES **0450/13**

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 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.

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

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For Examiner's Use

1 Homeright is a company that makes furniture such as tables and chairs. The company is successful and has grown rapidly in recent years. However the directors have found it difficult to manage the speed of growth. The Managing Director recently said that even more growth is planned for next year. The product range will be doubled and foreign markets entered.

(a) Identify **two** possible reasons why the directors want Homeright to grow.

Reason 1: .....

.....

Reason 2: .....

..... [2]

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

Way 1: .....

Way 2: ..... [2]

(c) Identify and explain **two** possible problems for Homeright of selling its products in foreign markets for the first time.

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** problems to Homeright's management that rapid growth could cause.

For Examiner's Use

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

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..... [6]

(e) Do you think that the profits of Homeright will continue to increase if the company grows in the future? Justify your answer.

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..... [6]

For Examiner's Use

2 Fabian owns a sports shop in the centre of town. The business has high fixed costs. The business holds a lot of stock and finds it difficult to finance its working capital. The sale of sports equipment and clothing is seasonal and some stock sells slowly. 'I am going to reduce my product range and concentrate on a few sports, such as football, in the future' said Fabian.

(a) What is meant by 'fixed costs'?

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..... [2]

(b) What is meant by 'working capital'?

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..... [2]

(c) Identify and explain **two** problems for Fabian's business of holding a lot of stock.

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

..... [4]

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

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 reducing the product range will benefit Fabian's business? Justify your answer.

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3 Table 1 gives data about the economy of country A.

For Examiner's Use

Table 1

Year	Interest rate (%)	Average annual wages ($)	Unemployment (%)
2010	5	1500	8
2011	7	2000	5
2012	9	2600	2

Country A is experiencing an economic boom. Wages are rising fast and the Government thinks inflation will soon be a problem. Most business managers think that both interest rates and taxes will rise again soon.

(a) What is meant by 'economic boom'?

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..... [2]

(b) Identify **two** factors that may influence wage rates in a business.

Factor 1: .....

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Factor 2: .....

..... [2]

(c) Identify and explain **two** problems to a business caused by high interest rates.

Problem 1: .....

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Explanation: .....

.....

Problem 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** ways in which decisions in a business might be affected by a rise in taxes.

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) Do you think that all businesses will be successful when a country has an economic boom? Justify your answer.

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For Examiner's Use

4 Defoe is a private limited company. It manufactures water-pumps using batch production methods which are labour intensive. It buys raw materials in small quantities. The Managing Director wants to increase profits next year. She is planning to introduce capital intensive methods in the factory.

(a) What is meant by 'batch production'?

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..... [2]

(b) Identify **two** benefits to Defoe of buying raw materials in small quantities.

Benefit 1: .....

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Benefit 2: .....

..... [2]

(c) Identify and explain **two** appropriate sources of finance that Defoe could use to invest in capital intensive methods of production.

Source 1: .....

Explanation: .....

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Source 2: .....

Explanation: .....

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..... [4]

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(d) Identify and explain **three** benefits to Defoe of using capital intensive methods.

For Examiner's Use

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) Would the employees of Defoe benefit from the change to capital intensive methods of production? Justify your answer.

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For Examiner's Use

5 Barts is a bookshop. Its sales have been falling in recent years. Many other booksellers have been using e-commerce to sell their goods. The Managing Director of Barts plans to create a website to sell books. He does not know what other changes to Barts' marketing mix might be needed.

(a) What is meant by 'e-commerce'?

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..... [2]

(b) What is meant by 'marketing mix'?

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..... [2]

(c) Identify and explain **two** possible reasons why Barts' sales have fallen in recent years.

Reason 1: .....

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Explanation: .....

.....

Reason 2: .....

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Explanation: .....

..... [4]

(d) Identify and explain **three** pricing methods Barts could use if it sells books through its own website.

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 Barts should start using e-commerce to sell books? Justify your answer.

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