Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

8509263995

BUSINESS STUDIES **0450/13**

Paper 1 **October/November 2014**

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, 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.

The syllabus is approved for use in England, Wales and Northern Ireland as a Cambridge International Level 1/Level 2 Certificate.

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

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1 Rafa is the Managing Director of Cambridge Fencing (CF), a limited company that makes fences and gates. The business employs 100 workers. They are paid a low basic wage but can earn high bonuses for good productivity. Recently a large number of employees have left to work for other companies. However CF finds it easy to recruit new workers. The business has been successful but last year its sales and profits fell. Rafa wants this to change.

(a) What is meant by a 'limited company'?

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.....[2]

(b) Identity **two** reasons why profits are important to CF.

Reason 1: .....

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Reason 2: .....

.....[2]

(c) Identify and explain **two** advantages to CF of its employee payment system.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **two** ways that CF could use to increase its sales.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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(e) Do you think that it is important that CF reduces the number of employees leaving the company? Justify your answer.

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2 The economy of country Z is booming. Its Government wants to create more manufacturing jobs by making it easier for new businesses to start up and build new factories. Recently a Government minister said: 'All new businesses will be successful during a boom'. Controls on where new factories can be built are to be removed. Some pressure groups are against this idea because they believe that new businesses create external (social) costs.

(a) Identify **two** features of a 'boom'.

Feature 1: .....

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Feature 2: .....

.....[2]

(b) What is meant by a 'pressure group'?

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.....[2]

(c) Identify and explain **two** external (social) costs that might be created by building new factories.

Cost 1: .....

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Explanation: .....

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Cost 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **two** ways that a Government could use to encourage new businesses to start up (other than removing controls on where factories can be built).

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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(e) 'All new businesses will be successful during a boom.' Do you agree? Justify your answer.

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3 Kruger manufactures advanced technology products such as computers and mobile (cell) phones. Some of its products are in the maturity stage of their product life cycle. Technology markets are very competitive. Rival businesses are always introducing new products. Kruger's Marketing Director would like to see better market segmentation and increased brand awareness of products. She also wants the company to launch new products.

(a) What is meant by 'the maturity stage' of a product life cycle?

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.....[2]

(b) Identify **two** costs to Kruger of launching a new product.

Cost 1: .....

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Cost 2: .....

.....[2]

(c) Identify and explain **two** ways Kruger could increase consumers' brand awareness of its mobile phones.

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 **two** ways of segmenting the mobile phone market.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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.....[6]

(e) Recommend an appropriate pricing strategy to Kruger for a new mobile phone. Justify your answer.

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4 Juta owns a business that makes soft toys. The variable cost per toy is $20. She buys her raw materials from suppliers in other countries. In 2013 she sold 10 000 toys.

Table 1: Extract of Juta's accounts for 2013 ($)

Sales	350 000
Cost of sales	X
Gross profit	150 000
Fixed costs	Y
Net profit	70 000

(a) Calculate:

Cost of sales (X): .....

.....

Fixed costs (Y): .....

.....[2]

(b) Calculate the net profit margin of the business in 2013.

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.....[2]

(c) **(i)** What is meant by 'fixed costs'?

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(ii) Identify **two** examples of fixed costs of Juta's business.

Example 1: .....

Example 2: .....[2]

(d) Identify and explain **two** problems that Juta might have when buying stock from suppliers in other countries.

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

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.....[6]

(e) In 2014 sales of the business increased by $150 000 and net profit increased by $10 000. Do you think that the business was more successful in 2014 than in 2013? Justify your answer.

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5 Salters manufactures cans for drinks. It uses flow production methods. Its machinery is inefficient and often breaks down. The company holds a lot of stock of raw materials and finished products. It cannot respond quickly to changes in customer demand. The management is planning to invest in new machinery, although the capital costs would be high. The factory employees are worried about this plan and strike action is possible. In 2013 Salters made a loss.

(a) Identify **two** features of flow production methods.

Feature 1: .....

.....

Feature 2: .....

.....[2]

(b) What is meant by 'inefficient'?

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.....[2]

(c) Identify and explain **two** problems to Salters of not responding quickly to changes in customer demand.

Problem 1: .....

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Explanation: .....

.....

Problem 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **two** effects on Salters of holding a high level of stock.

Effect 1: .....

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Explanation: .....

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Effect 2: .....

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Explanation: .....

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(e) Do you think Salters should invest in new machinery? Justify your answer.

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