**Cambridge International Examinations**
Cambridge International General Certificate of Secondary Education

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*6225071318*

**BUSINESS STUDIES** **0450/11**

Paper 1 **October/November 2018**

**1 hour 30 minutes**

Candidates answer on the Question Paper.

No Additional Materials are required.

**READ THESE INSTRUCTIONS FIRST**

Write your Centre number, candidate number and name in the spaces at the top of this page.
Write in dark blue or black pen.
You may use an HB pencil for any diagrams, graphs or rough working.
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 total number of marks for this paper is 80.

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

This document consists of **9** printed pages and **3** blank pages.

CAMBRIDGE International Examinations


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**[Turn over**

**1** SOLS makes 5 styles of luxury shoes for men, using job production. SOLS operates in a niche market. Quality assurance is important. All materials, including leather, are imported. SOLS uses cost plus pricing. The shoes are sold directly to customers through its website. The Managing Director said: 'We can sell our shoes for $100 less a pair than our competitors because we have no shops.' Demand is increasing and the Managing Director has to decide whether to change to batch production.

**(a)** What is meant by 'niche market'?

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..... [2]

**(b)** Identify **two** advantages to SOLS (other than lower prices) of using a website to sell its products.

Advantage 1: .....

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Advantage 2: .....

..... [2]

**(c)** Explain, with reference to SOLS, the difference between quality assurance and quality control.

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..... [4]

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**(d)** Identify and explain **one** advantage and **one** disadvantage to SOLS of using cost plus pricing.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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..... [6]

**(e)** Do you think SOLS should change its method of production? Justify your answer.

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**2** AllPlay is a toyshop, set up by Vince in 2012. Each year Vince has met his business objectives including making a profit in 2017. AllPlay imports all of its products. Vince wants to expand by opening a second shop so he can sell a wider range of products. The cost of buying the shop is $20 000. One option for finance is a bank loan. Vince's bank manager will want to see AllPlay's Income statement, and other financial documents.

**Table 1: Extract from AllPlay's Income Statement for the year ending 30 September 2018**

| | **$ 000s** |
|---|---|
| Revenue | **X** |
| Less cost of sales | 63 |
| Gross profit | 52 |
| Expenses (including rent and marketing) | **Y** |
| Profit | 12 |

**(a)** What is meant by 'business objectives'?

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..... [2]

**(b)** Calculate **X** and **Y**.

**X**: .....

**Y**: ..... [2]

**(c)** Identify and explain **one** advantage and **one** disadvantage to AllPlay of importing its products.

Advantage: .....

.....

Explanation: .....

.....

Disadvantage: .....

.....

Explanation: .....

..... [4]

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**(d)** Identify and explain **two** ways in which the bank might use AllPlay's financial documents.

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 a bank loan is the best source of finance for Vince to choose? Justify your answer.

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**3** Filltum is the brand name for a chain of vegetarian restaurants. It has 28 restaurants, 16 of which are operated by franchisees. The Managing Director is pleased with its fast rate of growth at a time when many businesses are failing. She said: 'Having a well-motivated workforce is important to our success. All new employees are given on-the-job training.' Filltum plans to have 10 more restaurants in the next year. The Managing Director has to decide whether to sell additional franchises or open its own restaurants.

**(a)** What is meant by 'brand name'?

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..... [2]

**(b)** Identify **two** reasons why a business might fail.

Reason 1: .....

.....

Reason 2: .....

..... [2]

**(c)** Identify and explain **two** ways in which having a well-motivated workforce can help Filltum achieve success.

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** advantages to Filltum of using on-the-job training.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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..... [6]

**(e)** Do you think selling more franchises is the best way for Filltum to expand? Justify your answer.

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**4** AHP is a multinational company. It makes mobile (cell) phones in Europe in country X. 80% of its sales are in Europe. Some people are concerned about AHP's impact on the environment. The Operations Director said: 'AHP always tries to ensure it meets all legal controls. Globalisation has created many opportunities for AHP and its stakeholders. The Operations Director is planning to relocate its factories to a low-cost country in Asia. Raw materials would need to be transported an extra 4000kms. Interest rates are likely to increase across Europe.

**(a)** What is meant by 'multinational company'?

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..... [2]

**(b)** Identify **two** advantages to AHP of being a multinational company.

Advantage 1: .....

.....

Advantage 2: .....

..... [2]

**(c)** Identify and explain **two** ways in which AHP might have an impact on the environment.

Way 1: .....

.....

Explanation: .....

.....

Way 2: .....

.....

Explanation: .....

..... [4]

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**(d)** Identify and explain **two** ways in which an increase in interest rates might affect AHP.

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 AHP should relocate its factories to a low-cost country in Asia? Justify your answer.

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