Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

1487800413

BUSINESS STUDIES **0450/13**

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 **10** printed pages and **2** blank pages.

CAMBRIDGE International Examinations

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[Turn over

1 KXD is a public limited company. It has 60 shops that sell fashion clothing for 18–25 year olds. 60% of its inventory is imported. KXD has not made a profit for three years. The Managing Director said: 'Net cash flow is still positive but KXD has not been able to keep up with an increase in demand. We have had problems with suppliers not providing the inventory we need on time.' KXD plans to fill the vacant post of Operations Director immediately by using either internal recruitment or external recruitment.

Table 1: **Extract from Income Statement for year ending 30 September 2018**

	$ m
Revenue	140
Cost of Sales	**X**
Gross profit	77
Expenses	**Y**
Profit	(14)

(a) What is meant by 'net cash flow'?

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..... [2]

(b) Calculate the values of **X** and **Y.**

X: .....

Y: ..... [2]

(c) Identify and explain **two** possible problems for KXD of **not** making a profit.

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** ways in which KXD could solve its problems with suppliers.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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(e) Recommend whether KXD should use internal recruitment or external recruitment to fill the vacant post of Operations Director. Justify your answer.

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2 GGB makes a range of bakery products including pies, cakes and bread. The products are only sold in its 400 shops, including 60 franchises. Primary market research shows customers' spending patterns are changing. GGB has spent 6 months developing new products with a range of healthy foods including pasta and sushi. High quality will be important. The Marketing Director has to decide whether Buy One Get One Free is the best method of sales promotion to use for the new products.

(a) What is meant by 'franchise'?

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..... [2]

(b) Identify **two** possible reasons why customers' spending patterns change.

Reason 1: .....

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Reason 2: .....

..... [2]

(c) Identify and explain **two** reasons why high quality might be important to GGB.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** benefits to GGB of developing new products.

Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

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..... [6]

(e) Do you think Buy One Get One Free (BOGOF) is the best method of sales promotion for GGB to use for its new products? Justify your answer.

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3 Duckett makes cleaning products including washing powder using a range of chemicals. The Operations Director plans to relocate production to either country X or country Y. He said: 'Environmental pressures and an increase in legal controls on marketing are the main reasons for relocating. We are operating at break-even output and we cannot afford to pay our 450 workers the increased minimum wage of $8 per hour. Many stakeholders will be affected.'

Table 2: Information about two possible locations that Duckett could choose for its new factory

	Country X	Country Y
Labour costs (per hour)	$4	$1
Rent and other fixed costs (per month)	$3000	$600
Transport costs (per month)	$5000	$10 000

(a) What is meant by 'break-even output'?

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..... [2]

(b) Identify **two** environmental pressures that Duckett might have to respond to.

Pressure 1: .....

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Pressure 2: .....

..... [2]

(c) Identify and explain **two** ways in which legal controls on marketing might affect Duckett.

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 in which the local community might be affected by Duckett's relocation decision.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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(e) Recommend which location Duckett should choose. Justify your answer, using the information in Table 2.

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4 Bill has worked for a large IT company for 30 years. He likes working with computers but he is finding it difficult to remain motivated. Bill is thinking about starting his own business repairing computers at people's houses. Bill thinks there is demand for this service but knows there are risks of starting up a business. His secondary market research shows existing computer repair businesses charge high prices and do not offer repairs at home. If Bill starts up the business he will need a vehicle. This would cost $6000 which Bill plans to pay for using his own savings. Bill would operate as a sole trader.

(a) What is meant by 'sole trader'?

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..... [2]

(b) Identify **two** methods of secondary market research.

Method 1: .....

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Method 2: .....

..... [2]

(c) Identify and explain **two** reasons why it would be important for Bill to be motivated if he starts his own business.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

..... [4]

(d) Identify and explain **two** ways (other than financial) Bill could reduce the risk of starting up his business.

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 using his own savings is the best source of finance for Bill to use for the vehicle? Justify your answer.

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