Cambridge Assessment International Education

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CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

7227189646

BUSINESS STUDIES **0450/13**

Paper 1 Short Answer and Data Response **October/November 2020**

1 hour 30 minutes

You must answer on the question paper.

No additional materials are needed.

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 80.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **12** pages. Blank pages are indicated.

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[Turn over

1 Mercy and Ayo are entrepreneurs. They plan to open a shop selling homemade ice cream. Mercy wants the business to be ethical and only buy high quality organic milk from local farms. Ayo used sampling to help him carry out some primary market research. An extract of the results from the 300 people in the sample is shown in Table 1.1. Ayo thinks a new business has a better chance of success if it is located where there is no competition.

Table 1.1

Results from a market research question	
What price are you willing to pay for a pot of ice cream?	% of sample
$0.50 - $1.50	90%
$1.51 to $2.50	55%
$2.51 - $3.50	20%
Over $3.50	5%

(a) Define 'entrepreneur'.

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..... [2]

(b) State **two** reasons why sampling is used when carrying out market research.

Reason 1:.....

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Reason 2:.....

..... [2]

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(c) Outline **two** ways in which being ethical could help Mercy and Ayo's business.

Way 1:.....

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Way 2:.....

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(d) Explain **two** ways in which market research results can help Mercy and Ayo's 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 a new business has a better chance of success if it locates where there is no competition? Justify your answer.

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2 Lola and Raul are in a business partnership. They make a range of hand-printed products including t-shirts, bags and posters using job production. Most of Lola and Raul's customers are tourists. Lola designs and prints all the products at the back of a small shop. Raul is responsible for sales and finance. Production is slow and it is difficult for Lola to keep up with demand. Raul wants to increase output. One way of doing this is to introduce some machinery into the process. Raul also wants to develop a website.

(a) Define 'job production'.

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..... [2]

(b) Identify **two** reasons why a business might want to expand.

Reason 1:.....

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Reason 2:.....

..... [2]

(c) Outline **two** ways Lola and Raul's business could use a website.

Way 1:.....

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Way 2:.....

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(d) Explain **one** advantage and **one** disadvantage to Lola and Raul of being in a business partnership.

Advantage:.....

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Explanation:.....

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Disadvantage:.....

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Explanation:.....

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(e) Do you think introducing machinery is a better way for a small business to increase output than recruiting more employees? Justify your answer.

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3 CLN is a public limited company. It sells a range of electrical products such as televisions and computers. The Managing Director has been analysing CLN's accounts. An extract is shown in Table 3.1. He said: ' We need more finance. Last year CLN made a loss of $250m. I blame increased competition from e-commerce.' CLN plans to close 30 of its 120 shops. This decision will affect many of its stakeholders including the local communities. The number of sales from each shop will be used to decide which shops to close.

Table 3.1

Extract from Statement of financial position as at 30 September 2020 ($m)	
Non-current assets	48
Current assets	60
of which: Inventories	40
Current liabilities	30

(a) Define 'non-current assets'.

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(b) Calculate the acid test ratio. Show your working.

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(c) State **four** factors that can affect the source of finance a business might use.

Factor 1:.....

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Factor 2:.....

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Factor 3:.....

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Factor 4:.....

..... [4]

(d) Explain **two** ways in which local communities might be affected by CLN's decision to close some of its shops.

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 the number of sales from each shop is the best way for a retail business to decide which shops to close? Justify your answer.

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4 Kane started LFP 8 years ago. LFP makes high quality furniture. LFP imports 40% of its materials including wood. Kane knows there are many external influences on business activity including employment levels and import quotas. As demand is increasing, LFP needs to recruit 5 additional production workers. Kane is busy preparing a job advertisement. Having well-motivated employees is important to LFP. Kane is considering either increasing wages or introducing profit sharing. Kane also thinks having a clear organisational structure benefits a business.

(a) State **two** ways quality production can be achieved.

Way 1:.....

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Way 2:.....

..... [2]

(b) Identify **two** benefits to a business of having a clear organisational structure.

Benefit 1:.....

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Benefit 2:.....

..... [2]

(c) Outline **two** factors Kane should consider when preparing the job advertisement.

Factor 1:.....

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Factor 2:.....

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..... [4]

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(d) Explain how each of the following external influences might affect LFP:

Lower employment rates:.....

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Introduction of import quotas:.....

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(e) Do you think increasing wages is a better way for a business to motivate employees than introducing profit sharing? Justify your answer.

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