Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

BUSINESS STUDIES **0450/13**

Paper 1 **May/June 2016**

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.

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 **9** printed pages and **3** blank pages.

CAMBRIDGE International Examinations

06_0450_13_2016_1.21
© UCLES 2016

1 GCN makes a wide range of clothing including shirts and trousers for men and women. Its small factory employs 75 skilled workers. The Operations manager thinks employees enjoy working at the factory as few leave each year. He said: 'Who needs to offer financial bonuses when I can use Herzberg's theory to motivate employees?' He would like to improve efficiency in the factory as he thinks this is the best way to increase GCN's low level of profit. He is not sure whether to introduce new technology into the production process.

(a) What is meant by a 'financial bonus'?

View solution

.....

.....

.....

..... [2]

(b) Identify **two** motivational theories (other than Herzberg's).

View solution

Theory 1: .....

Theory 2: ..... [2]

(c) Identify and explain **two** ways in which GCN could use Herzberg's theory to motivate its employees.

View solution

Way 1: .....

.....

Explanation: .....

.....

Way 2: .....

.....

Explanation: .....

..... [4]

© UCLES 2016

(d) Identify and explain **two** possible problems for GCN of introducing new technology.

View solution

Problem 1: .....

.....

Explanation: .....

.....

.....

.....

Problem 2: .....

.....

Explanation: .....

.....

.....

..... [6]

(e) Do you think improving efficiency is the best way for GCN to increase its profit? Justify your answer.

View solution

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

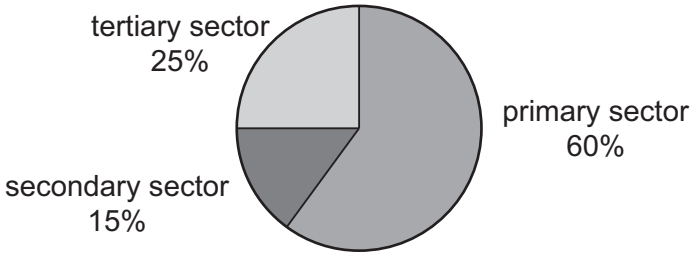
.....

.....

..... [6]

© UCLES 2016

2 The Government in country Y wants to encourage more secondary sector business activity to help reduce unemployment. It has announced a reduction in taxes and plans to remove some legal controls over business activity. Kasper Construction is a multinational company based in country X which wants to expand. It plans to build a brick-making factory in country Y if it can find a suitable location. Some pressure groups are against this plan as Kasper Construction has a bad reputation for environmental damage.



Total number of people employed in 2015 = 20 000 000

Fig. 1: Employment in country Y

(a) What is meant by the 'primary sector'?

View solution

.....

.....

.....

..... [2]

(b) Calculate the number of people employed in secondary sector businesses in country Y.

View solution

.....

..... [2]

(c) Identify and explain **two** benefits to Kasper Construction of a reduction in taxes.

View solution

Benefit 1: .....

.....

Explanation: .....

.....

Benefit 2: .....

.....

Explanation: .....

..... [4]

© UCLES 2016

(d) Identify and explain **two** factors (other than taxes) that Kasper Construction should consider before making a location decision.

View solution

Factor 1: .....

.....

Explanation: .....

.....

.....

.....

Factor 2: .....

.....

Explanation: .....

.....

.....

..... [6]

(e) Do you think that the Government of country Y should encourage Kasper Construction to locate in country Y? Justify your answer.

View solution

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

© UCLES 2016

3 Jenson Travel (JT) sells a wide range of holidays aimed at the mass market. The holidays are sold through its 350 shops in country F. It has agreed to buy another company which specialises in activity holidays such as skiing. This takeover means that JT will have 50 extra shops and will increase its market share to 40%. The takeover could reduce JT's costs by $35m each year. A summary of JT's accounting information for 2016 is shown in Table 1. The Finance Director thinks shareholders and customers will benefit from the takeover.

Table 1: Summary of accounting information

Non-current assets	$500m
Current assets	$324m
Current liabilities	$270m
Non-current liabilities	$1000m
Profit margin	16%
Return on Capital Employed (ROCE)	8%

(a) What is meant by 'non-current assets'?

View solution

.....

.....

.....

..... [2]

(b) Calculate the current ratio using the information in Table 1.

View solution

.....

..... [2]

(c) Identify and explain **two** ways in which shareholders might use JT's accounts.

View solution

Way 1: .....

.....

Explanation: .....

.....

Way 2: .....

.....

Explanation: .....

..... [4]

© UCLES 2016

(d) Identify and explain **two** ways in which the takeover might help JT reduce costs.

View solution

Way 1: .....

.....

Explanation: .....

.....

.....

.....

Way 2: .....

.....

Explanation: .....

.....

.....

..... [6]

(e) Do you think that customers will benefit from the takeover? Justify your answer.

View solution

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

4 After 20 years working for a bank, Luis has savings of $5000. He wants to start up his own business selling and repairing mobile (cell) phones. It is a competitive market. Luis has decided not to buy a franchise for $4500 as he thinks it is better to operate the business independently rather than be a franchisee. Based on his primary market research, he will need 15 customers each week to break even. Luis believes building customer relationships will be important. He plans to use social networks for promoting his new business.

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

View solution

.....

.....

.....

..... [2]

(b) What is meant by 'primary market research'?

View solution

.....

.....

.....

..... [2]

(c) Identify and explain **two** reasons why it is important for Luis to build customer relationships.

Reason 1: .....

View solution

.....

Explanation: .....

.....

Reason 2: .....

.....

Explanation: .....

..... [4]

© UCLES 2016

(d) Identify and explain **two** benefits to Luis's business of using social networks for promotion.

View solution

Benefit 1: .....

.....

Explanation: .....

.....

.....

.....

Benefit 2: .....

.....

Explanation: .....

.....

.....

..... [6]

(e) Do you agree with Luis's decision **not** to become a franchisee? Justify your answer.

View solution

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

BLANK PAGE

© UCLES 2016

BLANK PAGE

© UCLES 2016

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cie.org.ukafter the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.