Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

BUSINESS STUDIES **0450/11**

Paper 1 **May/June 2017**

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

© UCLES 2017

[Turn over

1 QCH is a multinational company which makes a range of luxury cars. Last year it made a profit of $700m. One of QCH's objectives is to enter new markets. QCH wants to start producing cars in country C, a fast growing economy. The Finance Director said: 'Meeting customer needs is important. We could form a joint venture or set up our own factory. Both options will be expensive, costing $800m. I think QCH's expansion into country C could be good for other businesses there.'

(a) What is meant by a 'joint venture'?

View solution

.....

.....

.....

..... [2]

(b) Identify **two** advantages to QCH of having objectives.

View solution

Advantage 1: .....

.....

Advantage 2: .....

..... [2]

(c) Identify and explain **two** reasons why QCH might want to enter new markets.

View solution

Reason 1: .....

.....

Explanation: .....

.....

Reason 2: .....

.....

Explanation: .....

..... [4]

© UCLES 2017

(d) Identify and explain **two** factors that QCH should consider when deciding the location of the new factory.

View solution

Factor 1: .....

.....

Explanation: .....

.....

.....

.....

Factor 2: .....

.....

Explanation: .....

.....

.....

..... [6]

(e) The Finance Director thinks QCH's expansion into country C could be good for other businesses there. Do you agree? Justify your answer.

View solution

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

© UCLES 2017

2 Josh owns an office cleaning business. He has a number of large and small business customers. Josh employs 6 full-time cleaners who are all given off-the-job training. Josh believes that using the latest cleaning equipment increases added value. He said: 'Customers are happy with the service. I am always sending text (SMS) messages to workers about additional work.' Josh has been looking at his balance sheet. He cannot decide if a bank loan is the best source of finance to use for new equipment. The new equipment will cost $60 000.

Table 1: Extract from Josh's balance sheet as at 30 April 2017 ($000)

Current assets		120
Trade receivables	90	
Cash	**X**	
Current liabilities		**Y**
Net current assets		70

(a) What is meant by 'trade receivables'?

View solution

.....

.....

.....

..... [2]

(b) Calculate the following values.

View solution

X: .....

Y: ..... [2]

(c) Identify and explain **one** advantage and **one** disadvantage to Josh of using text (SMS) messages as a method of internal communication.

View solution

Advantage: .....

.....

Explanation: .....

.....

Disadvantage: .....

.....

Explanation: .....

..... [4]

© UCLES 2017

(d) Identify **one** advantage and **one** disadvantage to Josh of using off-the-job training.

View solution

Advantage: .....

.....

Explanation: .....

.....

.....

.....

Disadvantage: .....

.....

Explanation: .....

.....

.....

..... [6]

(e) Do you think a bank loan is the best source of finance for Josh to use for the new equipment? Justify your answer.

View solution

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

© UCLES 2017

3 Wilde Soup Stop (WSS) makes a range of soups and hot drinks. It owns 30 shops and has sold its franchise to 10 other shops in country Z. The Marketing Director said: 'Results from our focus group show that being an ethical business is important'. WSS plans to extend its product range to include curries and cakes. WSS will need to change its brand image. The Marketing Director cannot decide whether to use sponsorship or newspaper advertising as the main method of promotion.

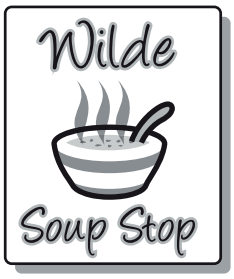

Fig.1: Existing logo for WSS

(a) Identify **two** ethical issues for a business.

View solution

Issue 1: .....

.....

Issue 2: .....

..... [2]

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

View solution

.....

.....

..... [2]

(c) Identify and explain **two** advantages to WSS of selling its franchise.

View solution

Advantage 1: .....

.....

Explanation: .....

.....

Advantage 2: .....

.....

Explanation: .....

..... [4]

© UCLES 2017

(d) Identify and explain **one** advantage and **one** disadvantage to WSS of changing its brand image.

View solution

Advantage: .....

.....

Explanation: .....

.....

.....

.....

Disadvantage: .....

.....

Explanation: .....

.....

.....

..... [6]

(e) Do you think WSS should use sponsorship or newspaper advertising as the main method of promotion? Justify your answer.

View solution

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

© UCLES 2017

4 GKK makes plastic bottles for a range of products from food to chemicals. GKK buys its raw materials from a low-cost country. GKK's organisational structure is wide with a short chain of command which allows for delegation. The Government plans to introduce new legal controls to protect the environment. The Operations manager said: 'The Government might achieve one of its objectives but how does it affect GKK? This is a competitive market so prices are important.' He wants to improve efficiency and plans to use lean production.

(a) What is meant by 'chain of command'?

View solution

.....

.....

.....

..... [2]

(b) Identify **two** Government **economic** objectives.

View solution

Objective 1: .....

.....

Objective 2: .....

..... [2]

(c) Identify and explain **two** benefits to GKK of increasing efficiency.

View solution

Benefit 1: .....

.....

Explanation: .....

.....

Benefit 2: .....

.....

Explanation: .....

..... [4]

© UCLES 2017

(d) Identify and explain **two** ways in which new legal controls to protect the environment might affect GKK.

View solution

Way 1: .....

.....

Explanation: .....

.....

.....

.....

Way 2: .....

.....

Explanation: .....

.....

.....

..... [6]

(e) Explain **one** lean production technique. Recommend whether GKK should introduce this technique. Justify your answer.

View solution

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

© UCLES 2017

BLANK PAGE

© UCLES 2017

BLANK PAGE

© UCLES 2017

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.uk after 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.

© UCLES 2017