Cambridge IGCSE

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

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**BUSINESS STUDIES** **0450/13**

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

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**1** CFE makes high quality steel used in shipbuilding. 40% of its output is exported. CFE's equipment is old and often breaks down. CFE plans to downsize (reduce) its workforce and 1200 of its 2100 skilled employees could be made redundant. The Managing Director blames reduced demand because of recession in some economies. A trade union spokeswoman said: 'Where are the opportunities from globalisation? This decision will affect many stakeholder groups. There must be another way for CFE to reduce costs.'

**(a)** What is meant by a 'trade union'?

View solution

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..... [2]

**(b)** Identify **two** possible reasons (other than reduced demand for steel) that could make it necessary to downsize the workforce.

View solution

Reason 1: .....

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Reason 2: .....

..... [2]

**(c)** Identify and explain **two** opportunities for CFE of globalisation.

View solution

Opportunity 1: .....

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Explanation: .....

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Opportunity 2: .....

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Explanation: .....

..... [4]

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**(d)** Identify **two external** stakeholder groups. Explain how each group might be affected by CFE's decision to downsize the workforce.

View solution

External stakeholder group 1: .....

Explanation: .....

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External stakeholder group 2: .....

Explanation: .....

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**(e)** Do you think that reducing the number of employees is the best way for CFE to reduce costs? Justify your answer.

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**2** PCB is a public limited company. It makes a well-known brand of mobile (cell) phones. Pricing is important as it sells in a competitive market. PCB wants to increase its product range. It plans to make luxury headphones as the demand for these is growing fast. The Operations Director has to decide whether PCB should develop its own brand of headphones or take over an existing producer. For both options, the source of finance would be a share issue.

**Table 1: Information on the 2 options**

| | Option 1:<br>Develop own headphones | Option 2:<br>Buy existing producer of headphones |
|---|---|---|
| Cost | $12m – $15m | $45m |
| Time needed before product launch | 12 – 18 months | 3 months |
| Other information | Need to recruit 1 experienced designer | Existing producer has different leadership style and organisational structure |

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

View solution

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**(b)** Identify **two** methods of pricing PCB could use for its mobile phones.

View solution

Method 1: .....

Method 2: ..... [2]

**(c)** Identify and explain **two** advantages to PCB of increasing the range of products it sells.

View solution

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

..... [4]

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**(d)** Identify and explain **one** advantage and **one** disadvantage to PCB of issuing new shares as a source of finance.

View solution

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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**(e)** Recommend which option for increasing the product range the directors should choose. Justify your answer using the information in Table 1.

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**3** C&P Designs is a business partnership between Cory and Phoebe. They make handmade jewellery. Phoebe works from home making all the jewellery such as necklaces and bracelets. C&P pays for materials when they are ordered, but allows their customers one month to pay. Cory manages the accounts and the shop. He is worried about cash flow, as shown in Table 2. Cory said: 'The bank will not increase our overdraft. We should ask customers to pay more quickly.' Phoebe thinks advertising would increase sales but is worried about legal controls on marketing.

**Table 2: Cash flow forecast for C&P ($)**

| | June | July | August |
|---|---|---|---|
| Cash inflow | 480 | 440 | 460 |
| Cash outflow: | | | |
| Raw materials | 240 | 260 | 240 |
| Shop rent and other costs | 200 | 200 | 220 |
| Total cash outflows | 440 | 460 | 460 |
| Net cash flow | 40 | (20) | **Y** |
| Opening balance | (60) | (20) | (40) |
| Closing balance | **X** | (40) | (40) |

**(a)** What is meant by an 'overdraft'?

View solution

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..... [2]

**(b)** Calculate the following values.

View solution

X: .....

Y: ..... [2]

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

View solution

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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**(d)** Identify and explain **one** advantage and **one** disadvantage to Cory and Phoebe of being in a business partnership.

View solution

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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**(e)** Cory thinks asking customers to pay more quickly is the best way to improve cash flow. Do you agree? Justify your answer.

View solution

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**4** TUKAN makes a range of soft drinks using flow production. All employees are paid a good wage but do not receive non-financial rewards. A high percentage of employees leave the business each year. A common reason given for leaving is that they have no involvement in decision-making. Last year, TUKAN's revenue increased by $25m but profit did not increase. The Managing Director said: 'The economy is in the growth stage of the business cycle. However, we need to improve efficiency. Lean production methods might help. We need to recruit a new Operations manager who could have some ideas about this.'

**(a)** What is meant by the 'business cycle'?

View solution

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**(b)** Identify **two** advantages of flow production.

View solution

Advantage 1: .....

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Advantage 2: .....

..... [2]

**(c)** Identify and explain **two** advantages to TUKAN of introducing non-financial methods of reward.

View solution

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

..... [4]

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**(d)** Identify and explain **two** possible lean production methods that TUKAN might use to improve efficiency.

View solution

Method 1: .....

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Explanation: .....

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Method 2: .....

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Explanation: .....

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**(e)** Do you think it is better for TUKAN to use internal recruitment or external recruitment for the new manager? Justify your answer.

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