Cambridge IGCSE

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

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| CANDIDATE NAME | | | | | | | | | |
| CENTRE NUMBER | | | | | | CANDIDATE NUMBER | | | | |

**BUSINESS STUDIES** **0450/11**

Paper 1 **May/June 2019**

**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 regulated 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 Assessment International Education


© UCLES 2019

**[Turn over**

**1** Y2M is a bus operating company in the public sector. One of its objectives is to break even on every bus route. Most of its competitors are in the private sector. Y2M wants to increase the number of customers using its buses. The Finance Director has been looking at some cost data shown in Table1. This is because Y2M plans to review its pricing methods. She is worried other businesses pay workers a higher wage rate and some of its drivers may leave. She said: 'To pay the same wage rate would increase variable cost to $2.20 per passenger per journey.'

**Table 1: Cost and price data for one Y2M route**

| | |
|---|---|
| **Number of passengers per day** | 90 |
| **Price per passenger per journey** | $2.50 |
| **Fixed costs per week** | $300 |
| **Variable cost per passenger per journey** | $2 |

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

View solution

.....

.....

.....

..... [2]

**(b)** Calculate the revenue per day.

View solution

.....

..... [2]

**(c)** Identify and explain **two** objectives Y2M might have if it was in the private sector.

View solution

Objective 1: .....

.....

Explanation: .....

.....

Objective 2: .....

.....

Explanation: .....

..... [4]

© UCLES 2019

**(d)** Identify and explain **two** pricing methods Y2M could use.

View solution

Pricing method 1: .....

.....

Explanation: .....

.....

.....

.....

Pricing method 2: .....

.....

Explanation: .....

.....

.....

..... [6]

**(e)** Do you think Y2M should pay its workers the same wage rate as its competitors? Justify your answer.

View solution

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

**2** Kate is an entrepreneur. Two years ago she left her job as a fashion designer at a multinational company. She started up BBB, a women's sportswear clothing business. BBB targets a market segment of high income consumers. BBB's products are sold in 3 retail shops and also through its website. Kate said: 'I saw a gap in the market and took the risk. Obtaining the finance I needed from the bank was not easy. I enjoy making decisions such as using leaflets to promote the clothes.' BBB's revenue target for next year is $500 000.

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

View solution

.....

.....

.....

..... [2]

**(b)** Identify **two** reasons why obtaining finance may not be easy for a new business.

View solution

Reason 1: .....

.....

Reason 2: .....

..... [2]

**(c)** Identify and explain **two** possible reasons why Kate decided to start up her own business.

View solution

Reason 1: .....

.....

Explanation: .....

.....

Reason 2: .....

.....

Explanation: .....

..... [4]

© UCLES 2019

**(d)** Identify and explain **two** reasons why segmenting the market might help BBB.

View solution

Reason 1: .....

.....

Explanation: .....

.....

.....

.....

Reason 2: .....

.....

Explanation: .....

.....

.....

..... [6]

**(e)** Do you think that using leaflets is the best way for Kate to promote her products? Justify your answer.

View solution

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

**3** BVC makes a range of paints. It exports 60% of its products. The Managing Director has been looking at BVC's cash-flow forecast shown in Table 2. He said: 'Success is not just about our return on capital employed.' The Managing Director is worried about the introduction of new legal controls to protect the environment. This will mean BVC will have to reduce the number of chemicals that are used to make paint. He thinks these new legal controls will be bad for business.

**Table 2: Extract of cash flow forecast for the period July–September 2019 ($000)**

| | July | August | September |
|---|---|---|---|
| **Cash inflow** | 600 | 560 | 620 |
| **Cash outflow** | 560 | 540 | 580 |
| **Net cash flow** | 40 | 20 | **Y** |
| **Opening balance** | **X** | 60 | 80 |
| **Closing balance** | 60 | 80 | 120 |

**(a)** What is meant by 'return on capital employed'?

View solution

.....

.....

.....

..... [2]

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

View solution

X: .....

Y: ..... [2]

**(c)** Identify and explain **two** reasons why a cash flow forecast might be important for BVC.

View solution

Reason 1: .....

.....

Explanation: .....

.....

Reason 2: .....

.....

Explanation: .....

..... [4]

© UCLES 2019

**(d)** Identify and explain **two** possible problems for BVC when exporting its products.

View solution

Problem 1: .....

.....

Explanation: .....

.....

.....

.....

Problem 2: .....

.....

Explanation: .....

.....

.....

..... [6]

**(e)** The Managing Director thinks the new legal controls to protect the environment will be bad for business. Do you agree? Justify your answer.

View solution

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

© UCLES 2019

**4** FGH is a private limited company. FGH has a tall hierarchical organisational structure. It is a book retailer which plans to take over one of its competitors for $800m. If the takeover happens, FGH would have 6 500 bookshops across 20 countries. FGH's Managing Director said: 'We expect to reduce total costs by $300m each year after the takeover. We will stop all off-the-job training of employees.' The Managing Director thinks FGH would benefit from becoming a public limited company but some of the other directors cannot decide if this is a good idea.

**(a)** What is meant by 'off-the-job training'?

View solution

.....

.....

.....

..... [2]

**(b)** What is meant by 'total cost'?

View solution

.....

.....

.....

..... [2]

**(c)** Identify and explain **two** advantages of FGH having a tall hierarchical organisational structure.

Advantage 1: .....

View solution

.....

Explanation: .....

.....

Advantage 2: .....

.....

Explanation: .....

..... [4]

**(d)** Identify and explain **one** advantage and **one** disadvantage to FGH of becoming a public limited company.

View solution

Advantage: .....

.....

Explanation: .....

.....

.....

.....

Disadvantage: .....

.....

Explanation: .....

.....

.....

..... [6]

**(e)** Do you think FGH should take over the other business? Justify your answer.

View solution

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

**BLANK PAGE**

© UCLES 2019

**BLANK PAGE**

© UCLES 2019

**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 Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

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

© UCLES 2019