Cambridge IGCSE

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Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

BUSINESS STUDIES **0450/13**

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 **11** printed pages and **1** blank page.

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[Turn over

1 EGT produces many teas of different flavours. It uses batch production. Tea leaves, the main raw materials, are grown by local farmers. Factory space is limited so EGT is unable to use an automated production line. The old machines used in the factory often break down. One worker is responsible for quality control. EGT does not benefit from economies of scale. The Human Resources manager knows that low motivation is a problem with its 80 employees. She plans to use her knowledge of Maslow's hierarchy of needs to improve motivation. The owners would like to increase the level of output but cannot afford to move EGT to a new location.

(a) What is meant by 'economies of scale'?

View solution

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(b) What is meant by 'quality control'?

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(c) Identify and explain **two** reasons why EGT uses batch production.

View solution

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** ways in which the Human Resources manager could use her knowledge of Maslow's hierarchy of needs to motivate employees.

View solution

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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(e) Recommend the best way, other than by improving motivation, EGT could use to increase its level of output. Justify your answer.

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2 CYN makes a range of children's toys. CYN's revenue has increased by 15% a year for the last 10 years. In 2018 CYN's total revenue was $900 000. The Managing Director said: 'The toy market is becoming increasingly competitive in country J. I never expected the rate of growth to be so high. CYN cannot meet demand and we have decided to stop all marketing promotion for 6 months.' The Managing Director wants CYN to spend more time on developing new products.

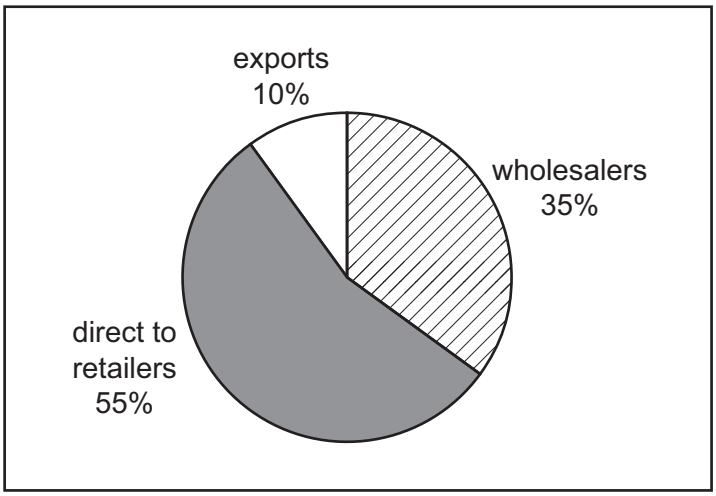

Figure 1: Percentage value of CYN's revenue in 2018

(a) What is meant by 'wholesaler'?

View solution

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(b) Calculate the revenue from selling direct to retailers in 2018.

View solution

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(c) Identify and explain how each of the following might affect CYN's exports.

View solution

Introduction of import quotas in other countries: .....

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Explanation: .....

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Introduction of import tariffs in other countries: .....

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Explanation: .....

..... [4]

(d) Identify and explain **one** advantage and **one** disadvantage to CYN of developing new products.

View solution

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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(e) CYN has decided to stop all marketing promotion for 6 months. Do you agree with this decision? Justify your answer.

View solution

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3 Hashim is an entrepreneur. He plans to start up as a sole trader by opening a small gift shop next to a popular tourist site. His market research shows that October to June are the months when sales are likely to be highest. His first business failed within 6 months of start up because of poor financial planning. This time, Hashim has produced a cash-flow forecast, shown in Table 1, as part of his business plan. His parents have agreed to give him an interest free loan for the shop rent. He is hoping to arrange trade credit from suppliers.

Table 1: Cash-flow forecast for Hashim's business for the period July – October 2019 ($)

	July	August	September	October
Cash inflow	80	140	180	240
Cash outflow	300	180	180	180
Net cash flow	(220)	(40)	**Y**	60
Opening balance	0	(220)	(260)	(260)
Closing balance	**X**	(260)	(260)	(200)

(a) Identify **two** features of a sole trader business.

View solution

Feature 1: .....

Feature 2: ..... [2]

(b) Calculate values for:

View solution

X: .....

Y: ..... [2]

(c) Identify and explain **two** factors that Hashim's suppliers might consider before deciding to offer him trade credit.

View solution

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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(d) Identify and explain **two** ways in which a business plan might help Hashim's new business to be successful.

View solution

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 Hashim should start the new business? Justify your answer using the information in Table 1.

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4 SWQ owns 200 clothing shops in country A. All inventory is purchased from 3 local clothing manufacturers. The Marketing Director has to decide whether to change suppliers. SWQ could buy inventory from country C, a low cost country. He showed the newspaper article, see Figure 2, to other directors. He said: 'Look at this newspaper article. We operate in a mass market and our customers want low prices. Changing suppliers to manufacturers in country C will affect our stakeholders.'

Factory life in country C

You can see why many retailers are buying from country C. 15-hour days for wages of $2 a week. A spokesperson for one pressure group said: 'Today I saw 8-year-old children sewing buttons onto suits and it is legal in this country.'

Figure 2: Newspaper article

(a) What is meant by 'pressure group'?

View solution

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(b) Identify **two** advantages to a business of selling to a mass market.

View solution

Advantage 1: .....

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Advantage 2: .....

..... [2]

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(c) Identify **two** stakeholder groups of SWQ. Explain **one** possible objective for each stakeholder group.

View solution

Stakeholder group 1: .....

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Explanation: .....

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Stakeholder group 2: .....

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Explanation: .....

..... [4]

(d) Identify and explain **two** suitable methods of communication SWQ might use with manufacturers in country C if it decided to purchase supplies from them.

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 SWQ should start buying its products from country C? Justify your answer.

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