Cambridge Assessment International Education

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CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

BUSINESS STUDIES **0450/12**

Paper 1 Short Answer and Data Response **May/June 2021**

1 hour 30 minutes

You must answer on the question paper.

No additional materials are needed.

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 80.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **12** pages. Any blank pages are indicated.

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[Turn over

1 Pamela is a sole trader. She started her successful photography business 30 years ago. She specialises in taking pictures of people and places for use in posters, calendars and fashion magazines. It is a niche market. Pamela uses cost-plus pricing as part of her marketing mix. Offering a high quality service is important to Pamela and her 2 employees.

(a) Define 'cost-plus pricing'.

View solution

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..... [2]

(b) Define 'marketing mix'.

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(c) Outline **two** reasons why offering a high quality service might be important for Pamela's business.

View solution

Reason 1: .....

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Reason 2: .....

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(d) Explain **two** advantages to Pamela of operating as a sole trader.

View solution

Advantage 1: .....

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Explanation: .....

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Advantage 2:.....

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Explanation: .....

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(e) Do you think operating in a niche market will help a small business have a better chance of success than operating in a mass market? Justify your answer.

View solution

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2 NPX is an online retail business. All orders are sent directly to customers from its warehouse. NPX employs 60 full-time workers. The Operations Manager is analysing NPX's cash-flow forecast. An extract is shown in Table 2.1. To improve productivity, the manager plans to introduce new technology that can select and pack all the items for each order. This will make 35 workers redundant. The technology will cost $40 000. The manager is considering using either internal sources or external sources to finance this technology.

Table 2.1

NPX's cash-flow forecast for the period July – September 2021 ($000)			
	July	August	September
Cash inflows	100	120	140
Cash outflows	90	90	110
Net cash flow	10	30	30
Opening balance	5	15	45
Closing balance	15	45	75

(a) Define 'opening balance'.

View solution

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(b) State **two** ways a business can increase productivity.

View solution

Way 1: .....

Way 2: ..... [2]

(c) Identify **four** sources of internal finance a business might use.

View solution

Source 1: .....

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Source 2: .....

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Source 3: .....

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Source 4: .....

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(d) Explain **two** possible effects on NPX's cash-flow forecast of introducing the new technology.

View solution

Effect 1: .....

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Explanation: .....

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Effect 2: .....

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Explanation: .....

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(e) Do you think it is better for a tertiary sector business to use full-time employees rather than part-time employees? Justify your answer.

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3 GHT is a public limited company. It produces steel products including gates and garage doors. GHT has a flat organisational structure and a short chain of command. GHT has many stakeholder groups including 600 employees. The Managing Director is considering introducing job rotation to improve employee motivation. He has also been analysing some financial data. An extract is shown in Table 3.1.

Table 3.1

Extract of revenue and cost data for one of GHT's products (product X)	
Units sold in 2020	30 000
Price per unit	$100
Variable costs per unit	$60
Fixed costs	$900 000
Break even output (units)	22 500

(a) Define 'fixed cost'.

View solution

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(b) Calculate the margin of safety for product X in 2020.

View solution

Show your working.

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(c) Outline **two** advantages to GHT of having a short chain of command.

View solution

Advantage 1: .....

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Advantage 2: .....

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(d) Explain **one** advantage and **one** disadvantage to GHT of using job rotation to improve employee motivation.

View solution

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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(e) Do you think the shareholders are the most important stakeholder group to the success of a limited company? Justify your answer.

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4 Raul owns a small farm that grows oranges. His farm is based in country Z. Like all primary sector activities, farming creates external costs and external benefits. Raul sells all 600 tonnes of his oranges direct to a drinks manufacturer in country E. The Government of country E plan to introduce either import tariffs or quotas. Raul said: 'This might help country E's Government achieve one of its economic objectives but how will it affect companies that export to country E?'

(a) Define 'primary sector'.

View solution

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

View solution

Objective 1: .....

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Objective 2: .....

..... [2]

(c) Outline **one** external benefit and **one** external cost that Raul's business activity might create.

External benefit: .....

View solution

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External cost: .....

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(d) Explain **two** advantages to Raul's business of selling direct to a manufacturer.

View solution

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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(e) Do you think the introduction of import tariffs is likely to have a greater effect than the introduction of import quotas on an exporting business? Justify your answer.

View solution

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