Cambridge Assessment International Education

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CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

BUSINESS STUDIES **0450/11**

Paper 1 Short Answer and Data Response **May/June 2024**

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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1 FBM is a boat building business. It has 100 skilled employees. The Operations Director is concerned that FBM holds a high level of inventory. She is also concerned that the business is starting to experience diseconomies of scale. The Finance Director has been asked to analyse FBM's cost and output data. An extract is shown in Table 1.1.

Table 1.1

Extract from FBM's cost and output data	
Variable costs per unit	$5000
Fixed costs per year	$600 000
Number of boats made each year	300

(a) Define 'diseconomies of scale'.

View solution

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..... [2]

(b) Identify **two** ways a business can use cost data to help make decisions.

View solution

Way 1: .....

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Way 2: .....

..... [2]

(c) Identify **four** fixed costs a business might have.

View solution

Fixed cost 1: .....

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Fixed cost 2: .....

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Fixed cost 3: .....

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Fixed cost 4: .....

..... [4]

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(d) Explain **one** advantage and **one** disadvantage to FBM of holding a high level of inventory.

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 customers have a more important role in the success of a business than its employees? Justify your answer.

View solution

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2 ADN is a food retailer. It has 5 shops and 300 full-time employees. All ADN's employees receive off-the-job training. ADN has a tall hierarchical structure. Managers have a narrow span of control and all use an autocratic leadership style. ADN's directors are planning to expand the business and cannot decide whether it is better for a business to use internal growth or external growth.

(a) Define 'span of control'.

View solution

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(b) Define 'autocratic leadership style'.

View solution

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(c) Outline **two** benefits to ADN of having full-time employees.

View solution

Benefit 1: .....

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Benefit 2: .....

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(d) Explain **one** benefit and **one** limitation to ADN of using off-the-job training.

View solution

Benefit: .....

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Explanation: .....

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Limitation: .....

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Explanation: .....

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(e) Do you think it is better for a business to use internal growth or external growth when planning to expand? Justify your answer.

View solution

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3 IDT manufactures clothes for the mass market. It is a multinational company with factories in 4 countries. IDT has short-term and long-term financial needs. The Finance Director is analysing IDT's statement of financial position. An extract is shown in Table 3.1. He has been asked to calculate working capital and to explain how an increase in non-current liabilities might affect IDT.

Table 3.1

Extract from IDT's statement of financial position ($ million)		
	2022	**2023**
Current assets	380	420
Current liabilities	250	280
Non-current liabilities	300	400

(a) Define 'mass market'.

View solution

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(b) Calculate IDT's working capital in 2023.

View solution

Working: .....

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Final answer: ..... [2]

(c) Outline **one** reason why IDT might need the following types of finance:

View solution

Short-term finance: .....

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Long-term finance: .....

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(d) Explain **two** ways an increase in non-current liabilities might affect IDT.

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) Explain **two** advantages to a business of being a multinational company. Which advantage do you think is likely to be the most important? Justify your answer.

View solution

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4 CFG is a social enterprise. It buys cocoa beans from local farmers and then uses the beans to make chocolate. Being ethical is important to the business. CFG has developed a new chocolate bar. The Marketing Manager plans to use skimming as its pricing method, and retailers as its distribution channel for the new product. He knows there are many legal controls over marketing that might affect a business.

(a) Define 'social enterprise'.

View solution

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(b) Identify **two** ways legal controls over marketing might affect a business.

View solution

Way 1: .....

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Way 2: .....

..... [2]

(c) Outline **one** advantage and **one** disadvantage to CFG of using skimming as its pricing method.

View solution

Advantage: .....

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Disadvantage: .....

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(d) Explain **one** advantage and **one** disadvantage to CFG of using retailers as its distribution channel for the new product.

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 being ethical will always lead to lower profit for a business? Justify your answer.

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View solution

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