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**BUSINESS STUDIES** **0450/12**

Paper 1 Short Answer and Data Response **May/June 2025**

**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** NFC manufactures shoes using batch production. Quality assurance is used to maintain quality. NFC uses market segmentation. The Marketing Director is reviewing NFC's product range. He knows there are both benefits and limitations to developing new products. He also knows the promotion of products is important.

**(a)** Define 'batch production'.

View solution

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**(b)** Identify **two** aims of promotion.

View solution

Aim 1: .....

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Aim 2: .....

..... [2]

**(c)** Outline **one** advantage and **one** disadvantage to NFC of using quality assurance.

View solution

Advantage: .....

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Disadvantage: .....

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**(d)** Explain **two** benefits to NFC of using market segmentation.

View solution

Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

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**(e)** Do you think the benefits for a business of developing new products are greater than the limitations? Justify your answer.

View solution

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**2** FLD is a furniture retailer. It has 460 shops and 20 000 employees. Internal recruitment is used when recruiting new shop managers. The Managing Director wants to know whether job rotation is the best method of motivation for a large business to use. The Finance Director is reviewing FLD's income statement. An extract is shown in Table 2.1. She is concerned that FLD's gross profit is decreasing.

**Table 2.1**

| **Extract from FLD's income statement for year ending April 2025 ($ million)** | |
|---|---|
| Revenue | 400 |
| Gross profit | 200 |
| Expenses | 60 |
| Profit | 140 |

**(a)** Define 'profit'.

View solution

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**(b)** Identify **two** expenses a business might have.

View solution

Expense 1: .....

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Expense 2: .....

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**(c)** Outline **two** possible reasons why FLD's gross profit is decreasing.

View solution

Reason 1: .....

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Reason 2: .....

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**(d)** Explain **two** advantages to FLD of using internal recruitment when recruiting new managers.

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 job rotation is the best method for a large business to use to motivate its employees? Justify your answer.

View solution

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**3** Hal wants to be a successful entrepreneur. He plans to leave his job to start up a bakery. The bakery will operate in the private sector. The business will have many stakeholder groups. Hal has been told it is important for a new business to select an appropriate source of start-up capital. He also knows new businesses are at a greater risk of failure.

**(a)** Define 'private sector'.

View solution

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**(b)** Identify **two** reasons why new businesses are at a greater risk of failure.

View solution

Reason 1: .....

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Reason 2: .....

..... [2]

**(c)** Identify **four** stakeholder groups a business might have.

View solution

Stakeholder 1: .....

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Stakeholder 2: .....

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Stakeholder 3: .....

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Stakeholder 4: .....

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**(d)** Explain **two** characteristics Hal will need to become a successful entrepreneur.

View solution

Characteristic 1: .....

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Explanation: .....

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Characteristic 2: .....

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Explanation: .....

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**(e)** Do you think a bank loan is the best source of start-up capital for a new business? Justify your answer.

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**4** MHL manufactures tyres for large vehicles. It has factories in 6 countries. The business creates external costs when producing its products. Good communication with MHL's suppliers is important. The Managing Director knows globalisation provides many opportunities for MHL. She is reviewing data for one of MHL's factories as she wants to reduce the average cost of the tyres. An extract from this data is shown in Table 4.1.

**Table 4.1**

| **Data for one of MHL's factories** | |
|---|---|
| Output per month (units) | 200 000 |
| Fixed costs per month | $500 000 |
| Variable cost per unit | $25 |

**(a)** Define 'average cost'.

View solution

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**(b)** Calculate total variable cost per month. Show your working.

View solution

Working: .....

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Final answer: ..... [2]

**(c)** Outline **two** external costs MHL might create when producing its products.

View solution

External cost 1: .....

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External cost 2: .....

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**(d)** Explain **two** opportunities of globalisation for MHL.

View solution

Opportunity 1: .....

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Explanation: .....

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Opportunity 2: .....

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Explanation: .....

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**(e)** Explain **two** methods of communication a business could use to communicate with its suppliers. Which is likely to be the best method to use? Justify your answer.

View solution

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