Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

BUSINESS STUDIES **0450/13**

Paper 1 **October/November 2017**

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.

The syllabus is approved 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 International Examinations

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1 HGH makes truck (lorry) engines using batch production. Quality assurance is important. Last year profit decreased by 30%. The Managing Director has decided to close one of its two factories based on the information in Table 1. He said: 'The problems are high energy costs and increased competition from imports. The Government should introduce measures such as import quotas to help protect businesses like us. If it does not then both factories may close'.

Table 1: Cost and other information about the two factories

	Factory 1	Factory 2
Output per month	1200	1260
Number of employees	150	140
Labour productivity per month	8	**X**
Level of trade union membership	High	Low
Rent of site per month	$200 000	$300 000

(a) What is meant by 'quality assurance'?

View solution

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(b) Calculate the value of **X** from Table 1.

View solution

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(c) Identify and explain **two** ways the Government might help HGH become more competitive.

Way 1:.....

View solution

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Explanation:.....

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Way 2:.....

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Explanation:.....

..... [4]

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(d) Identify and explain **one** advantage and **one** disadvantage to HGH of using batch production.

View solution

Advantage:.....

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Explanation:.....

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Disadvantage:.....

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Explanation:.....

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(e) Recommend which factory HGH should close. Justify your answer using the information in Table 1.

View solution

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2 BBT makes a range of breakfast cereals. One of BBT's objectives is to act in an ethical way with all of its stakeholders. The Marketing Director has been looking at BBT's marketing strategy for some of its products. BBT uses competitive pricing. She thinks that product A, one of its popular brands, is in the decline stage of the product life cycle. She cannot decide what to do with product A.

Table 2: Information about BBT's products

	Product A	Product B	Product C
Revenue 2016	$500 000	$360 000	$120 000
% Change in revenue compared to 2015	-40%	+30%	+50%
Years in market	10	5	2

(a) What is meant by 'marketing strategy'?

View solution

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(b) Identify **two** reasons for a business to set objectives.

View solution

Reason 1:.....

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Reason 2:.....

..... [2]

(c) Identify and explain **two** ways in which BBT could act in an ethical way.

View solution

Way 1:.....

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Explanation:.....

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Way 2:.....

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Explanation:.....

..... [4]

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(d) Identify and explain **one** advantage and **one** disadvantage to BBT of using competitive pricing.

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 BBT should stop selling product A? Justify your answer.

View solution

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3 ZumGo is a business partnership between two brothers Richie and Justin. It provides bus tours for people wanting to go on holiday. After two successful years, Justin wants to expand the business by buying another bus. This will cost $28 000. When Richie produced the cash flow forecast as part of ZumGo's business plan he forgot to include the $6000 for advertising in March. They cannot decide whether to lease the bus or use all their retained profit to buy one. Leasing would cost $1000 per month for 2 years.

Table 3: Cash flow forecast for 3 months ending 31 March 2018 ($)

	January	February	March
Cash in	36 000	36 000	30 000
Cash out:			
Advertising	12 000	0	6000
Other costs	24 000	25 000	22 000
Total cash outflow**:**	36 000	25 000	**W**
Net cash flow	0	11 000	**X**
Opening balance	(15 000)	(15 000)	**Y**
Closing balance	(15 000)	(4000)	**Z**

(a) What is meant by 'business plan'?

View solution

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(b) Identify **two** financial documents (other than a cash flow forecast) that a business might use.

Document 1:.....

Document 2:..... [2]

(c) Calculate the values of **W**, **X**, **Y** and **Z**.

View solution

W:.....

X:.....

Y:.....

Z:..... [4]

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(d) Identify and explain **one** advantage and **one** disadvantage of ZumGo being a business partnership.

View solution

Advantage:.....

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Explanation:.....

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Disadvantage:.....

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Explanation:.....

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(e) Which source of finance do you think ZumGo should use for the new bus? Justify your answer.

View solution

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4 CYB is an accountancy business. It has 30 highly skilled employees. They work in small teams to prepare customers' final accounts including those of many multinational companies. CYB believes effective communication is important to its success. The Human Resources Director needs to recruit 3 new accountants. She said: 'External recruitment is not easy particularly during an economic boom. The new recruits will also need either on-the-job or off-the-job training in our computerised accountancy system.'

(a) What is meant by 'multinational company'?

View solution

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(b) What is meant by 'economic boom'?

View solution

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(c) Identify and explain **two** methods that CYB could use to communicate with its customers.

View solution

Method 1:.....

Explanation:.....

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Method 2:.....

Explanation:.....

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(d) Explain **how** each of the following stages could help CYB in the recruitment process.

View solution

Person (job) specification:.....

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Advertising the job vacancies: .....

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(e) Do you think it would be better for CYB to use on-the-job or off-the-job training? Justify your answer.

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