Cambridge IGCSE

Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

BUSINESS STUDIES **0450/13**

Paper 1 **October/November 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 **9** printed pages and **3** blank pages.

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[Turn over

1 S&V imports high quality spices and herbs and sells them to local restaurants and shops. S&V wants to increase added value. It is a business partnership so its owners do not have limited liability. One of the partners, Serena, is worried that supplies from some countries do not arrive on time or the wrong items are delivered. She said: 'S&V cannot have communication barriers with its many suppliers. In addition, our customers demand up-to-date information about spices and herbs that are in season.' Serena has to decide whether e-mail is the best way to communicate with S&V's customers.

(a) What is meant by 'limited liability'?

View solution

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..... [2]

(b) Identify **two** ways S&V can increase added value.

View solution

Way 1: .....

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Way 2: .....

..... [2]

(c) Identify and explain **two** possible barriers to communication between S&V and its suppliers.

Barrier 1: .....

View solution

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Explanation: .....

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Barrier 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **one** effect on S&V of each of the following changes:

View solution

Effect of a 10% increase in import tariffs: .....

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Explanation: .....

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Effect of new legal controls over food quality: .....

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Explanation: .....

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(e) Do you think using e-mail is the best way for S&V to inform customers about its products? Justify your answer.

View solution

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2 HBN makes steel rods for the construction industry, using flow production. HBN uses job enrichment as one way to motivate its 40 employees. HBN has experienced an increase in demand for steel rods as a result of changes in the business cycle. Businesses, such as HBN, are expected to have a policy on sustainable development. The Operations Director is considering ways to increase output of steel rods whilst maintaining high quality. The options are outlined in Table 1.

Table 1: Options for HBN to increase output

	Option 1: Extend existing factory	**Option 2: Buy another steel business**
Cost	$750 000	$1 500 000
Additional output	10 000 tonnes per month	26 000 tonnes per month
Other information	Will take 6 months to complete extension	Other business has different leadership style and organisation structure to HBN

(a) What is meant by 'sustainable development'?

View solution

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(b) What is meant by 'business cycle'?

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(c) Identify and explain **one** advantage and **one** disadvantage to HBN of using job enrichment as one way to motivate its employees.

View solution

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** ways in which HBN could maintain high quality.

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) Which option for increasing output do you think HBN should choose? Justify your answer using the information in Table 1.

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3 RGO is a large airline business. It provides flights to 120 countries using the latest up-to-date planes. Most of RGO's customers are people travelling on holiday. RGO sells 80% of its tickets through its website. It operates in a competitive market so maintaining customer loyalty is important. One of RGO's objectives is to increase market share from 8% to 10%. The Managing Director said: 'One option is to lower ticket prices but to do this we will have to reduce costs.'

(a) What is meant by 'customer loyalty'?

View solution

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(b) Identify **two** advantages to RGO of being a large business.

View solution

Advantage 1: .....

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Advantage 2: .....

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(c) Identify and explain **two** possible problems to RGO of reducing prices.

View solution

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

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(d) Identify and explain **two** ways (other than lower prices) that RGO could use to increase its market share.

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** ways in which RGO could reduce its costs. Recommend which way RGO should choose. Justify your answer.

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4 PBG makes cars in country A. The Managing Director has been looking at PBG's financial accounts. He is worried about PBG's liquidity position. An extract from the balance sheet is shown in Table 2. The Managing Director said: 'New legal controls mean that all cars sold in country A will have to be electric by 2025. PBG has to find new markets for its existing cars while we develop new models.' One option for PBG is to form a joint venture with a car manufacturer in another country.

Table 2: Extract from PBG's balance sheet

	2018	2019
Current assets $m	320	390
Current liabilities $m	256	300
Non-current liabilities $m	480	520
Acid test ratio	0.4	0.3

(a) What is meant by 'non-current liabilities'?

View solution

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(b) Calculate PBG's current ratio for 2019.

View solution

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(c) Identify and explain **one** way each of the following stakeholder groups might use PBG's financial accounts.

View solution

Trade Payables (Creditors): .....

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Explanation: .....

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Shareholders: .....

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Explanation: .....

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(d) Identify and explain **one** advantage and **one** disadvantage to PBG of forming a joint venture.

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 Managing Director is right to be worried about PBG's liquidity position? Justify your answer by referring to appropriate ratios.

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