Cambridge Assessment International Education

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BUSINESS STUDIES **0450/12**

Paper 1 Short Answer and Data Response **October/November 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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[Turn over

1 Avtar owns a car repair business which operates in the private sector. It is a small business with 2 full-time employees. Avtar wants to find out the best way for a business to increase added value. Avtar's business needs finance for many reasons. Avtar wants to know how an economic recession might affect his business.

View solution

(a) Identify **two** features of a private sector business.

Feature 1: .....

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Feature 2: .....

..... [2]

View solution

(b) Identify **two** reasons why a business might remain small.

Reason 1: .....

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Reason 2: .....

..... [2]

View solution

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

Short-term finance: .....

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Long-term finance: .....

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..... [4]

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(d) Explain **two** ways an economic recession might affect Avtar's business.

View solution

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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..... [6]

(e) Explain **two** ways a business can increase added value. Which is likely to be the best way for a business to use? Justify your answer.

View solution

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2 SNT is an ethical business. It manufactures a range of soft drinks using batch production. In 2023 SNT produced 300 000 bottles of soft drinks each week. There are many factors which affect how much inventory the business should hold. SNT's directors are planning to expand the business into new markets in other countries by forming a joint venture. They are considering licensing as another way to help overcome the potential problems of entering these new markets.

View solution

(a) Define 'licensing'.

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..... [2]

View solution

(b) Identify **two** factors which might affect how much inventory a business should hold.

Factor 1: .....

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Factor 2: .....

..... [2]

View solution

(c) Outline **two** benefits to SNT of using batch production.

Benefit 1: .....

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Benefit 2: .....

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..... [4]

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(d) Explain **one** advantage and **one** disadvantage to SNT of forming a joint venture when entering new markets in other countries.

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 advantages to a business of being ethical are greater than the disadvantages? Justify your answer.

View solution

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3 HRO manufactures children's toys. It is a private limited company. The main objective of HRO's shareholders is to increase profit. This might conflict with the objectives of other stakeholder groups, including its 30 suppliers. HRO's Managing Director knows that market research can help when making marketing decisions. The Finance Director is preparing HRO's statement of financial position. An extract is shown in Table 3.1.

Table 3.1

Extract from HRO's statement of financial position at 30 June 2024 ($000s)	
Non-current assets	480
Current assets	250
Current liabilities	200
Non-current liabilities	300

(a) Define 'non-current assets'.

View solution

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..... [2]

(b) Calculate HRO's current ratio. Show your working.

View solution

Working: .....

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Final answer: ..... [2]

(c) State whether each of the following would be classified as a current asset or as a current liability.

View solution

Trade receivables: .....

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Trade payables: .....

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Overdraft: .....

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Inventory: .....

..... [4]

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(d) Explain **one** way the objective of HRO's shareholders to increase profit might conflict with the objectives of each of the following stakeholder groups:

View solution

Customers: .....

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Explanation: .....

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Suppliers: .....

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Explanation: .....

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(e) Do you think the advantages to a business of using primary market research are greater than the disadvantages? Justify your answer.

View solution

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4 TLA is a large hotel with 200 rooms and 3000 employees. Many of these employees are members of a trade union. The Managing Director is planning to expand the business but is worried about possible diseconomies of scale as TLA grows. The Human Resources Director has been asked to recruit 2 new managers. She knows it is important that all managers use the most appropriate leadership style. All of TLA's new employees receive induction training.

(a) Identify **one** advantage and **one** disadvantage to employees of being members of a trade union.

View solution

Advantage: .....

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Disadvantage: .....

..... [2]

(b) Identify **one** benefit and **one** limitation of a business using induction training.

View solution

Benefit: .....

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Limitation: .....

..... [2]

(c) Outline **one** reason why each of the following stages of recruitment might be important for TLA:

View solution

Job description: .....

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Job advertisement: .....

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..... [4]

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(d) Explain **two** possible diseconomies of scale as TLA grows.

View solution

Diseconomy of scale 1: .....

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Explanation: .....

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Diseconomy of scale 2: .....

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Explanation: .....

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..... [6]

(e) Do you think the advantages of managers using a democratic leadership style are greater than the disadvantages for a business? Justify your answer.

View solution

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