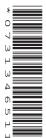




## UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

CANDIDATE NAME					
CENTRE NUMBER			CANDIDATE NUMBER		



**BUSINESS STUDIES** 

0450/12

Paper 1

October/November 2010 1 hour 45 minutes

Candidates answer on the Question Paper. No Additional Materials are required.

## **READ THESE INSTRUCTIONS FIRST**

Write your Centre number, candidate number and name on all the work you hand in. Write in dark blue or black pen.

Do not use staples, paper clips, highlighters, 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.

For Exam	iner's Use
1	
2	
3	
4	
5	
Total	

This document consists of 11 printed pages and 1 blank page.



Mike is a sole trader. He owns a shop selling fruit and vegetables. 'I am always looking for ways of increasing my profits' he said, 'but it is hard to compete against big supermarket shops. I have low profit margins on most of my goods so I cannot cut prices any more.' The business also has an overdraft with the bank. (a) Identify two variable costs of Mike's business. Variable cost 1: Variable cost 2: ..... **(b)** What is meant by a 'low profit margin'? .....[2] (c) Identify and explain **two** advantages to Mike of using a bank overdraft. Advantage 1: ..... Advantage 2: .....

Explanation: .....

For Examiner's Use

(d)	Identify and explain <b>three</b> methods that Mike could use to compete against larger competitors.	For Examiner's Use
	Method 1:	036
	Explanation:	
	Method 2:	
	Explanation:	
	Method 3:	
	Explanation:	
	[6]	
(e)	D III LAN L LILL L L L L C L C C L C C	
(0)	Do you think Mike should take on a business partner? Justify your answer.	
(0)	Do you think Mike should take on a business partner? Justity your answer.	
(0)		

Imogen is a Human Resources manager in a chain of hotels. Recruiting and retaining employees is a major part of her job. 'Recruiting staff is easy but keeping them is much harder' she said. The employees are paid a wage plus a bonus but wages are low. All employees are given an employment contract when they join the company.
(a) Identify two items that are in an employment contract.

For Examiner's Use

(a)	Identify <b>two</b> items that are in an employment contract.
	Item 1:
	Item 2:
(b)	What is meant by a 'bonus'?
	[2]
(c)	Identify and explain two possible reasons why wage levels are low in this business.
	Reason 1:
	Explanation:
	Reason 2:
	Explanation:
	[4]

(d)	Other than paying higher wages, identify and explain <b>three</b> methods that Imogen could use to help keep staff.	For Examiner's Use
	Method 1:	030
	Explanation:	
	Method 2:	
	Explanation:	
	Method 3:	
	Explanation:	
	[6]	
(e)	Do you think that it is always important for a business to reduce the number of employees leaving each year? Justify your answer.	
	[6]	

3 Manfred is the Finance Director of a large public limited company BTX. After looking at the data in Table 1, Manfred was worried that BTX might be facing problems.

For Examiner's Use

Table 1: Selected Financial Data for BTX (\$'000s)

	2008	2009
Sales	1200	800
Net profit	200	100
Capital employed	1000	400
Dividends	150	20

The current ratio was 1.2 in 2008 and 1.5 in 2009.

What is meant by 'dividends'?
[2]
Calculate the return on capital employed (ROCE) in 2009.
[2]
Explain how ROCE can be used to assess the performance of a company.
[4]

Mov 1:
Way 1:
Explanation:
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Do you think that the management of BTX should be worried about the performance of the company in 2009? Justify your answer.
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Gorgeous Chocs is a manufacturer of high quality chocolates. The company spends a lot of money on marketing but the management knows that it is important that such spending is cost effective. The company accountant has just introduced new financial budgets for each department. (a) What is meant by 'cost effective'? (b) What is meant by a 'financial budget'? (c) Identify and explain two factors that Gorgeous Chocs needs to consider in designing the packaging for its products. Factor 1: Factor 2: .....

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Fac	tor 3:												
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ATC is a large exporting company with many offices throughout the world. The senior managers know that effective communication is vital in such a large business. Recently the management held a meeting to consider ways of improving communication in the business. Discussion focused on the problems of one-way communication and the importance of feedback. (a) What is meant by 'one-way communication'? .....[2] **(b)** Identify **two** benefits of the telephone as a means of communication. Benefit 2: (c) Identify and explain two benefits to the management of receiving feedback from employees. Benefit 1: ..... Explanation: ..... Benefit 2: .....

.....[4]

For Examiner's Use

	ATC invests heavily in new technology in its business. Identify and explain <b>three</b> benefits that ATC may gain from this investment in new technology.
I	Benefit 1:
ı	Explanation:
I	Benefit 2:
I	Explanation:
ı	Benefit 3:
I	Explanation:
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