UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

BUSINESS STUDIES

Paper 1

0450/01

October/November 2004

1 hour 45 minutes

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

Candidate Name

Centre Number

Candidate Number

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 in the spaces provided on the Question Paper.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.
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 businesses described in this question paper are entirely fictitious.

DO NOT WRITE IN THE BARCODE.

DO NOT WRITE IN THE GREY AREAS BETWEEN THE PAGES.

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given on this page.

Stick your personal label here, if provided.

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TOTAL	

This document consists of **12** printed pages.

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UNIVERSITY of CAMBRIDGE International Examinations

For Examiner's Use

1 Khan Clothing Ltd manufactures a range of clothing. The company's products are sold to other businesses such as retailers. Khan Clothing Ltd is profitable but has cash flow problems. The Managing Director, Imran, is concerned about the large sum of money owed by debtors. He is not sure how to deal with the problem. He could arrange a bank overdraft, as suggested by his accountant. Imran thinks that a long term loan might be more suitable.

(a) **(i)** Explain what is meant by debtors.

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(ii) How can a profitable business have cash flow problems?

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(b) **(i)** What is an overdraft?

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For Examiner's Use

(ii) What would you advise Imran to do about the cash flow problem? Explain your answer.

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Table 1 is a summary of Khan Clothing Ltd's Balance Sheet for 2003 (end of November).

Table 1

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Fixed assets	800 000
Current assets	1200 000
Current liabilities	1500 000
Net assets	500 000
Financed by	
Long term liabilities	400 000
Shareholders' Funds	?

(c) (i) Calculate the value of the shareholders' funds of the business.

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(ii) For Khan Clothing Ltd give an example of **(a)** a fixed asset and **(b)** a current asset.

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(iii) The company's bank manager asked to see the balance sheet. Why do you think he would find this useful? Use Table 1 to support your answer.

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For Examiner's Use

2 Ginola Ltd is a company which produces a range of high quality sports equipment. David, the Chairman of the company, told the marketing department to research into people's leisure activities. Table 2 shows information that they gathered from a survey of 2000 people aged between 15 and 40.

Table 2

	% taking part in each activity	
	Men	Women
Football	20	1
Swimming	15	22
Tennis	10	27
Golf	12	5
Running	13	30

(a) **(i)** Explain how Ginola Ltd might use this market research information.

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(ii) Draw a bar chart to show the percentage of men and women taking part in tennis and golf.

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[Turn over

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(b) David thinks that it would be a good idea to charge a price lower than his competitors. Explain why this policy might **not** be a good idea.

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(c) **(i)** Give **two** examples of promotional methods that David could use for sports equipment.

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(ii) Why is promotion an important part of the marketing mix for a product?

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3 The Snack Factory produces a variety of sweets and chocolate products. They use flow production methods making use of the latest technology. The management believe that such methods help reduce costs. Anesh Batal is a trainee manager. He is finding out about the costs of the business.

For Examiner's Use

(a) Explain what is meant by:

(i) variable cost,

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(ii) unit cost.

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(b) Why might the business' production methods lead to low costs?

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For Examiner's Use

(c) Table 3 gives some cost data that Anesh gathered.

Table 3

Output level (units per week)	10 000	20 000	30 000	40 000
Unit cost	\$3.5	\$3	\$2.9	\$3.1

Explain why the unit cost rises when output is above 30 000 units per week.

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(d) The Human Resources manager at the factory was concerned that staff motivation had fallen since the new production lines had been introduced. Explain **two** possible methods of dealing with this problem that the manager could use.

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For Examiner's Use

4 Electro plc is a very large company. It manufactures a wide range of products. Its sales were valued at $500 million in 2003 and it employed 260 000 people in its world-wide operations. Table 4 shows the percentage of its sales in different world markets.

Table 4

Electro plc % of Sales Revenue, 2003

America	40%
Europe	25%
Asia	20%
Africa	15%

(a) (i) Why could Electro plc be described as a multinational company?

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(ii) Calculate the value of Electro plc's sales to America in 2003.

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(iii) What benefits might a multinational company bring to the countries in which it operates?

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(b) (i) Draw an organisational chart for a large manufacturing business such as Electro plc.

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(ii) Explain what is meant by the span of control in an organisation.

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(iii) Is a wide span of control always a problem for a business? Explain your answer.

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5 Anna Currie is the Managing Director of Global Travel Ltd, which organises and sells holidays. 'Technological change is having a large impact on our business. For example, we sell more holidays on the internet than from our travel agency shops. Not everyone in society benefits from these changes though. There are social costs as well. We had to close ten of our travel agency shops last year. The company has high overhead costs and we have to sell a lot of holidays just to break even.'

For Examiner's Use

(a) Explain **two** advantages that e-commerce has given to businesses such as Global Travel Ltd.

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(b) **(i)** Explain **one** reason why sales of holidays from the travel agency shops of Global Travel Ltd have fallen.

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(ii) Do you think that private sector businesses should have social responsibilities? Explain your answer.

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(c) (i) What is meant by an overhead cost?

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(ii) Explain why overheads might be a problem for a company such as Global Travel Ltd.

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