

Location Entry Codes

As part of CIE's continual commitment to maintaining best practice in assessment, CIE uses different variants of some question papers for our most popular assessments with large and widespread candidature. The question papers are closely related and the relationships between them have been thoroughly established using our assessment expertise. All versions of the paper give assessment of equal standard.

The content assessed by the examination papers and the type of questions is unchanged.

This change means that for this component there are now two variant Question Papers, Mark Schemes and Principal Examiner's Reports where previously there was only one. For any individual country, it is intended that only one variant is used. This document contains both variants which will give all Centres access to even more past examination material than is usually the case.

The diagram shows the relationship between the Question Papers, Mark Schemes and Principal Examiners' Reports that are available.

Question Paper	Mark Scheme	Principal Examiner's Report
Introduction	Introduction	Introduction
First variant Question Paper	First variant Mark Scheme	First variant Principal Examiner's Report
Second variant Question Paper	Second variant Mark Scheme	Second variant Principal Examiner's Report

Who can I contact for further information on these changes?

Please direct any questions about this to CIE's Customer Services team at:

international@cie.org.uk

The titles for the variant items should correspond with the table above, so that at the top of the first page of the relevant part of the document and on the header, it has the words:

- First variant Question Paper / Mark Scheme / Principal Examiner's Report

or

- Second variant Question Paper / Mark Scheme / Principal Examiner's Report

as appropriate.



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
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BUSINESS STUDIES

0450/11

Paper 1

May/June 2009

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.

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



- 1 Drink Well is a manufacturer of glass bottles. It is situated in country X where wages are high. The company uses flow production methods in its factory.

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Table 1 gives data about the company in 2008.

Table 1: Selected data for Drink Well 2008

Number of employees	Average weekly wage [\$]	Total output per week
200	600	800 000 units

- (a) Calculate the output per employee per week in 2008.

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..... [2]

- (b) Calculate the labour cost per unit in 2008.

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..... [2]

- (c) Identify and explain **two** features of flow production.

Feature 1:

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Feature 2:

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The management of Drink Well is thinking of buying some new machinery to modernise its factory.

- (d) Identify **three** factors Drink Well should consider before taking this decision and explain why each factor is important.

Factor 1:

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Factor 2:

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Factor 3:

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The management of Drink Well has also been thinking about moving its production to another country where wages are lower.

- (e) Do you think that the benefits of moving production to another country would be greater than the disadvantages? Justify your answer.

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2 Table 2 shows the Profit and Loss statement for Healthy Foods.

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Table 2: Healthy Foods, Profit and Loss Statement [\$m]

	2008	2007
Sales	250	220
Cost of sales	150	140
Gross profit	100	80
Expenses	55	55
Net profit	45	25
Interest payable	5	0
Net profit before tax	40	25
Tax	10	6
Profit after tax	30	19
Dividends	2	15
Retained profit	28	4

(a) Calculate the gross profit margin in 2008.

.....
 [2]

(b) Identify **two** examples of expenses in a business.

Example 1:
 Example 2: [2]

(c) Identify and explain **two** methods of promotion that Healthy Foods might have used to increase sales in 2008.

Method 1:
 Explanation:

 Method 2:
 Explanation:

 [4]

(d) In 2008 sales increased. Identify **three** other changes in the Profit and Loss account of Healthy Foods in 2008 compared to 2007. Explain a possible reason why each change has occurred.

Change 1:

Explanation:

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Change 2:

Explanation:

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Change 3:

Explanation:

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(e) How useful is a Profit and Loss statement to different stakeholders of Healthy Foods? Justify your answer.

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3 Electrux manufactures a range of electrical products such as electric kettles and coffee machines for different target markets. Electrux believes that its products are of excellent quality and that its marketing mix helps to sell its products. Electrux currently sells its products through a distribution chain shown in Fig. 1. However it is always looking for new ways to boost sales as the market for electrical products is very competitive.

Fig. 1: Electrux channel of distribution



(a) Identify **two** elements of the marketing mix.

Element 1:

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Element 2:

..... [2]

(b) What is meant by the term 'target market'?

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..... [2]

(c) Identify and explain **two** advantages to a retailer of buying products from a wholesaler.

Advantage 1:

Explanation:

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Advantage 2:

Explanation:

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..... [4]

(d) Identify and explain the importance of **three** factors that Electrux should consider when deciding on the packaging of its products.

Factor 1:

Explanation:

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Factor 2:

Explanation:

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Factor 3:

Explanation:

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Electrux is thinking of changing its channel of distribution so that it sells directly to its customers.

(e) Would you recommend that they make this change? Justify your answer.

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4 Chung Textiles manufactures clothes. A large number of its workers leave the business each year. 'Recruiting new workers is a problem' said Chung. 'We pay high wages but we still find it hard to get people.' Chung Textiles' Health and Safety record has been criticised because of the number of accidents in its factory. However, Chung said 'All our staff have been trained and we are not to blame if people make mistakes. We give all workers an employment contract, pay them well and give them training.'

(a) Identify **two** dangers to the Health and Safety of workers that might arise in Chung Textiles' factory.

Danger 1:

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Danger 2:

..... [2]

(b) Identify **two** pieces of information in an employment contract.

Information 1:

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Information 2:

..... [2]

(c) Explain how employment contracts help workers.

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(d) Identify and explain **three** problems that a large number of workers leaving each year would create for Chung Textiles.

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Problem 1:

Explanation:

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Problem 2:

Explanation:

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Problem 3:

Explanation:

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..... [6]

(e) Do you think that Chung Textiles should spend more money on improving Health and Safety in its factory? Justify your answer.

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5 The Government of country A has told all its car manufacturers that they must be 'more environmentally responsible'. However, General Cars is worried about the cost of making its factories less polluting and its products more environmentally friendly. The market for cars in country A is becoming more competitive. Also, the country is experiencing an economic boom and the Government has increased interest rates as a way of controlling the business cycle.

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

.....
.....
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..... [2]

(b) Identify **two** features of an 'economic boom'.

Feature 1:
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Feature 2:
..... [2]

(c) Identify and explain **two** likely consequences for General Cars of a rise in interest rates in country A.

Consequence 1:
Explanation:
.....
.....
Consequence 2:
Explanation:
.....
..... [4]

(d) Identify and explain **three** changes that General Cars might make in order to act in a more environmentally responsible manner.

Change 1:

Explanation:

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Change 2:

Explanation:

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Change 3:

Explanation:

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..... [6]

(e) Do you think that an increase in competition always benefits consumers? Justify your answer.

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BUSINESS STUDIES

0450/12

Paper 1

May/June 2009

1 hour 45 minutes

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- 1 Living Well is a health business providing fitness programmes, beauty treatments and massages. Living Well is a labour intensive business and the quality of the services that it provides is important in attracting customers.

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Table 1 shows data for Living Well in 2007 and 2008.

Table 1: Selected Data

Year	Sales \$	Number of Employees
2007	160 000	20
2008	187 000	22

- (a) Calculate the value of sales per employee in 2008.

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 [2]

- (b) Identify **two** reasons why calculating the sales per employee is important for the management of Living Well.

Reason 1:

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Reason 2:

..... [2]

- (c) Identify and explain **two** features of a labour intensive business.

Feature 1:

Explanation:

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Feature 2:

Explanation:

.....

..... [4]

(d) Identify and explain **three** methods that Living Well could use to increase the sales turnover of the business.

*For
Examiner's
Use*

Method 1:

Explanation:

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Method 2:

Explanation:

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Method 3:

Explanation:

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..... [6]

Living Well is a fast growing company that is thinking about buying a major competitor business.

(e) Do you think Living Well should consider buying another health business? Justify your answer.

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..... [6]

2 Table 2 shows the Profit and Loss statement for Healthy Foods.

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Table 2: Healthy Foods, Profit and Loss Statement [\$m]

	2008	2007
Sales	250	220
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Retained profit	28	4

(a) Calculate the gross profit margin in 2008.

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 [2]

(b) Identify **two** examples of expenses in a business.

Example 1:
 Example 2: [2]

(c) Identify and explain **two** methods of promotion that Healthy Foods might have used to increase sales in 2008.

Method 1:
 Explanation:

 Method 2:
 Explanation:

 [4]

(d) In 2008 sales increased. Identify **three** other changes in the Profit and Loss account of Healthy Foods in 2008 compared to 2007. Explain a possible reason why each change has occurred.

Change 1:

Explanation:

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Change 2:

Explanation:

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Change 3:

Explanation:

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..... [6]

(e) How useful is a Profit and Loss statement to different stakeholders of Healthy Foods? Justify your answer.

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3 Party Wear manufactures clothes targeted at young women. The business spends a lot on advertising its products. Market research shows that the demand for its products is price elastic. Party Wear is thinking of selling its products on the Internet rather than through the retail shops it uses at present.

(a) Identify **two** aims of advertising.

Aim 1:

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Aim 2:

..... [2]

(b) What is meant by 'price elastic' demand?

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..... [2]

(c) Identify and explain **two** advantages of market research.

Advantage 1:

Explanation:

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Advantage 2:

Explanation:

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..... [4]

(d) Identify and explain the importance of **three** factors that Party Wear should consider in pricing their products.

Factor 1:

Explanation:

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Factor 2:

Explanation:

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Factor 3:

Explanation:

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..... [6]

(e) Do you think the benefits to Party Wear of selling on the Internet are greater than the advantages of using retail shops? Justify your answer.

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..... [6]

4 Chung Textiles manufactures clothes. A large number of its workers leave the business each year. 'Recruiting new workers is a problem' said Chung. 'We pay high wages but we still find it hard to get people.' Chung Textiles' Health and Safety record has been criticised because of the number of accidents in its factory. However, Chung said 'All our staff have been trained and we are not to blame if people make mistakes. We give all workers an employment contract, pay them well and give them training.'

(a) Identify **two** dangers to the Health and Safety of workers that might arise in Chung Textiles' factory.

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Danger 2:

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(b) Identify **two** pieces of information in an employment contract.

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(d) Identify and explain **three** problems that a large number of workers leaving each year would create for Chung Textiles.

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Explanation:

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.....

Problem 2:

Explanation:

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Problem 3:

Explanation:

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..... [6]

(e) Do you think that Chung Textiles should spend more money on improving Health and Safety in its factory? Justify your answer.

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(b) Identify **two** features of an 'economic boom'.

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Feature 2:
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(c) Identify and explain **two** likely consequences for General Cars of a rise in interest rates in country A.

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..... [4]

(d) Identify and explain **three** changes that General Cars might make in order to act in a more environmentally responsible manner.

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Explanation:

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Change 2:

Explanation:

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Change 3:

Explanation:

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(e) Do you think that an increase in competition always benefits consumers? Justify your answer.

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