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0450/11

October/November 2015

1 hour 30 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

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Answer **all** questions.

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The syllabus is approved 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.

- 1 TWH makes a range of toys using batch production. TWH's Managing Director, Dylan, plans to invest in new technology to reduce average costs. 'It's the only way to increase efficiency as I do not know how we can improve employees' motivation' he said. Dylan cannot decide on whether it would be better to use retained profits or a long term loan as the source of finance.

Table 1: Data for 2014

Number of toys made per week	260 000
Number of employees	500
Average wage per hour paid by TWH	\$6
Average wage per hour paid by similar businesses	\$6.50

- (a) What is meant by 'average cost'?

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.....[2]

- (b) Calculate the output per employee per week in 2014.

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.....[2]

- (c) Identify and explain **two** possible advantages to TWH of using batch production.

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

.....[4]

- (d) Identify and explain **two** ways that TWH could improve the motivation of its employees.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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.....[6]

- (e) TWH can either use retained profit or a long term loan to finance the purchase of new technology. Which option do you recommend TWH should use? Justify your answer.

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- 2 Ramford is a private limited company. It has four factories which make a wide range of food products including breakfast cereal and ice cream. The Finance Director is worried about the company's financial performance. She has read that many businesses failed in the last year. 'I think we are suffering from diseconomies of scale' she said. Ramford's directors have decided to cut the number of different products it makes from 80 to 10.

Table 2: Extract from accounts

	2013	2014
Revenue (sales) (\$m)	200	150
(Net) profit (\$m)	70	60
Capital employed (\$m)	280	300
(Net) profit margin	35%	?
Return on Capital Employed	25%	?

- (a) What is meant by a 'private limited company'?

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.....[2]

- (b) Identify **two** causes of business failure.

Cause 1:

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Cause 2:

.....[2]

- (c) Identify and explain **two** diseconomies of scale that Ramford might be experiencing.

Diseconomy 1:

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Explanation:

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Diseconomy 2:

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Explanation:

.....[4]

- (d) Identify and explain **two** factors that Ramford should consider when deciding which products to remove from its product range.

Factor 1:

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Explanation:

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Factor 2:

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Explanation:

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- (e) Do you think the Finance Director is right to be worried about the financial performance of Ramford in 2014? Justify your answer using the data in Table 2 and appropriate ratios.

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- 3** Grimshaw manufactures mobile (cell) phones for the mass market. Last year its market share increased by 3%. The Managing Director is planning to set up a new factory in country T to supply the mobile phone market in that country for the first time. Grimshaw plans to sell a new model of mobile phone. The Managing Director has asked for market research to be done. He said: 'As a multinational, we can set up a new factory anywhere; I want to know whether the Government of country T will offer us any help to build our factory there.'

(a) What is meant by 'mass market'?

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.....[2]

(b) What is meant by 'market share'?

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

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

.....[4]

- (d) Identify and explain **two** advantages to Grimshaw of developing new products.

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

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- (e) Do you think the Government of country T should help businesses such as Grimshaw set up in its country? Justify your answer.

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- 4 Tebo has recently been made redundant from his job as a car mechanic. He is thinking of setting up his own business. Even though he has no management experience, he knows that managing cash flow will be important to the success of the business. Tebo is considering whether to apply for a FIXIT franchise. This franchise would cost \$15 000, which would use all of his savings. FIXIT is a car repair franchise, with 36 franchisees.

(a) What is meant by 'made redundant'?

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.....[2]

(b) Identify **two** functions of management that Tebo might have to perform.

Function 1:

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Function 2:

.....[2]

(c) Explain why managing cash flow will be important for Tebo's business.

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- (d) Identify and explain **two** factors Tebo should consider when deciding where to locate his business.

Factor 1:

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Explanation:

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Factor 2:

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Explanation:

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- (e) Do you think that buying a FIXIT franchise is the best way for Tebo to start his business? Justify your answer.

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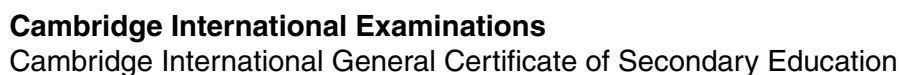
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October/November 2015

1 hour 30 minutes

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- 1 Walt owns a company which has developed a new computer game for adults. A focus group report shows customers like it. Walt has been considering the marketing mix, including the packaging for this product which is likely to be sold in many countries. 'I don't want to use a wholesaler as it would affect my profit margin' he said.

(a) What is meant by a 'focus group'?

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.....[2]

(b) Identify **two** reasons why packaging might be important for the new computer game.

Reason 1:

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Reason 2:

.....[2]

(c) Explain why the profit margin might be important for Walt's business.

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- (d) Identify and explain **two** advantages to Walt if he decided to use a wholesaler to distribute his products.

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

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- (e) Consider **two** possible methods of promotion that Walt could use for the new game. Recommend which method he should use. Justify your answer.

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- 2 CLW makes wood furniture, including chairs and tables. Demand has risen quickly over the past 3 years and the business needs to increase the scale of production at its factory. The factory is located near the city centre in an area of low unemployment. The Finance Director has produced a business plan, including a balance sheet. The Finance Director is pleased with CLW's liquidity.

Table 1: Extract of financial information

	2013	2014
Non-current (fixed) assets (\$m)	240	260
Current assets:		
Inventory (stock) (\$m)	180	330
Trade receivables (debtors) (\$m)	320	240
Cash (\$m)	100	90
Total current assets (\$m)	600	660
Current Liabilities (\$m)	480	440
Current ratio	1.25:1	?
Acid test ratio	0.875:1	?

- (a) What is meant by a 'business plan'?

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- (b) What is meant by a 'balance sheet'?

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.....[2]

- (c) Identify and explain **two** possible benefits for CLW of holding high inventory (stock) levels.

Benefit 1:

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Explanation:

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Benefit 2:

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Explanation:

.....[4]

- (d) Identify and explain **two** factors (other than finance) that CLW's management need to consider when increasing the scale of production.

Factor 1:

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Explanation:

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Factor 2:

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Explanation:

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- (e) Do you think the Finance Director is right to be pleased with the liquidity of CLW in 2014? Justify your answer using the data in Table 1 and appropriate ratios.

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- 3 NCE manufactures cars in 4 factories using flow production. NCE's Human Resources Director thinks good induction training helps achieve high productivity. Factory X is its most efficient factory. Last year the size of the new car market fell by 20%. NCE now has to make 400 workers redundant at one of its other factories. 'I am pleased NCE is a large business', said the HR Director, 'I think a small business cannot survive in this competitive market.'

Table 2: NCE operations data for 2014

Number of cars made	Number of employees
168 000	2800

- (a) What is meant by 'flow production'?

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.....[2]

- (b) Calculate the output per employee in 2014.

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.....[2]

- (c) Identify and explain **two** ways in which induction training might benefit NCE.

Way 1:

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Explanation:

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Way 2:

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Explanation:

.....[4]

- (d) Identify and explain **two** factors that NCE would need to consider in deciding which workers to make redundant.

Factor 1:

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Explanation:

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Factor 2:

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Explanation:

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.....[6]

- (e) The HR Director thinks that 'a small business cannot survive in this competitive market'. Do you agree with this view? Justify your answer.

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- 4 Nellis is a public limited company. It specialises in building large luxury houses. Over the past 3 years its profits have increased as the country is experiencing an economic boom. 'It's not all good news – the Government has announced plans to increase interest rates and introduce new legal controls to protect the environment' said the Managing Director. He believes these new legal controls to protect the environment will only make businesses (such as Nellis) less profitable.

(a) What is meant by an 'economic boom'?

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.....[2]

(b) Identify **two** stages (other than boom) of the business cycle.

Stage 1:

Stage 2:[2]

(c) Explain how a rise in interest rates might affect Nellis.

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- (d) Identify **two** stakeholder groups. Explain why each group is important to this business.

Stakeholder group 1:

Explanation:

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Stakeholder group 2:

Explanation:

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- (e) The Managing Director believes that the new legal controls to protect the environment will only make businesses (such as Nellis) less profitable. Do you agree? Justify your answer.

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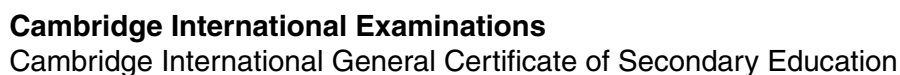
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0450/13

October/November 2015

1 hour 30 minutes

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This document consists of **9** printed pages and **3** blank pages.

- 1 PYG is a private limited company based in country A. PYG makes metal cans for food products using flow production. The Operations Director has been looking at the operations data in Table 1. Last year PYG found it difficult to replace the 15 production workers who left the company. Most of PYG's output is exported. The Operations Director thinks there could be more advantages than disadvantages to relocating production to another country.

Table 1: Operations data

	2013	2014
Output per week	660 000	800 000
Number of employees	20	25

- (a) What is meant by a 'private limited company'?

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.....[2]

- (b) Calculate the output per employee per week in 2014.

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.....[2]

- (c) Identify and explain **two** reasons why calculating output per employee is important for PYG.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

.....[4]

- (d) Identify and explain **two** possible problems for PYG of using flow production.

Problem 1:

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Explanation:

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Problem 2:

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Explanation:

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.....[6]

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

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- 2 Toddles is a children's nursery. It is a tertiary sector business which provides childcare for children aged 2–5 years. It is a sole trader business. The business employs 4 full-time workers, who are all fully trained and well-motivated. Each employee looks after 3 children. Last year, Toddles made a loss. 'I don't understand it, we have fantastic employees and a good location' said the owner. 'I need to find ways to make the business profitable.'

(a) What is meant by 'tertiary sector'?

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.....[2]

(b) Identify **two** ways (other than training) that Toddles could use to motivate its employees.

Way 1:

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Way 2:

.....[2]

(c) Identify and explain **two** advantages to Toddles of having fully trained employees.

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

.....[4]

- (d) Identify and explain **two** possible reasons why profit is important for businesses like Toddles.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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- (e) Explain **two** ways in which Toddles could become profitable. Recommend which way Toddles should use. Justify your answer.

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- 3 QF Group manufactures a range of electrical products such as computers and televisions. All QF managers have a wide span of control so delegation is important. The main objective of QF Group is growth. The Finance Director has been looking at the accounting data in Table 2. She is pleased about the performance of the business.

Table 2: Extract from accounts

	2013	2014
Revenue (sales) (\$m)	600	600
(Net) profit (\$m)	72	90
Capital employed (\$m)	720	750
Gross profit margin	50%	45%
(Net) profit margin	12%	?
Return on Capital Employed	10%	?

- (a) What is meant by 'span of control'?

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.....[2]

- (b) What is meant by 'delegation'?

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.....[2]

- (c) Identify and explain **two** reasons why delegation might be important to businesses like QF Group.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

.....[4]

- (d)** Identify **two** stakeholder groups. Explain **why** each of these stakeholder groups might support QF Group's objective of growth.

Stakeholder group 1:

Explanation:

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Stakeholder group 2:

Explanation:

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.....[6]

- (e)** Do you think the Finance Director is right to be pleased about the performance of QF Group? Justify your answer using the data in Table 2 and appropriate ratios.

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- 4 Xiolom is a mining business in the private sector. It is a large company employing over 100 000 employees. It has operations in 10 countries. The Operations Director has announced plans to open a new mine in country G. He is angry. 'First it is new legal controls over employment and now I have to deal with pressure groups. The mine will create 8000 jobs. Xiolom creates external benefits so it should be allowed to expand!'

(a) What is meant by the 'private sector'?

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.....[2]

(b) Identify **two** limitations of using 'number of employees' as a method of measuring business size.

Limitation 1:

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Limitation 2:

.....[2]

(c) Identify and explain **two** ways a pressure group might try to influence Xiolom's decision to open the new mine in country G.

Way 1:

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Explanation:

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Way 2:

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Explanation:

.....[4]

- (d) Identify and explain **two** ways in which Xiolom might be affected by new legal controls over employment.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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.....[6]

- (e) The Operations Director believes that because Xiolom creates external benefits it should be allowed to expand. Do you agree? Justify your answer.

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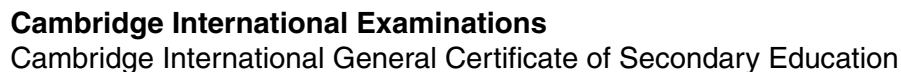
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0450/21

October/November 2015

1 hour 30 minutes

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- 1 (a) Identify and explain **one** advantage and **one** disadvantage to CC of being a public limited company.

Advantage:

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Explanation:

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Disadvantage:

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Explanation:

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.....[8]

- (b) CC needs to communicate a new health and safety regulation to its factory workers. Consider the advantages and disadvantages of each of the following **three** ways CC could use. Recommend the most effective way to use. Justify your answer.

Posters on factory noticeboards:

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CC website:

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Text (mobile phone message) to factory workers:

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Recommendation:

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.....[12]

- 2 (a) CC's Marketing manager wants to carry out market research. Identify and explain **two factors** which could influence the accuracy of the market research data.

Factor 1:

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Explanation:

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Factor 2:

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Explanation:

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- (b) CC's bestselling product is a good quality camping cooker which is similar to those produced by competitors. Explain how each of the following **three** elements of the marketing mix could be used to market CC's camping cooker. Justify why each element is important to the success of this product.

Price:

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Promotion:

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Place:

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- 3 (a) Identify and explain **two** benefits to CC workers of joining a trade union.

Benefit 1:

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Explanation:

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Benefit 2:

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Explanation:

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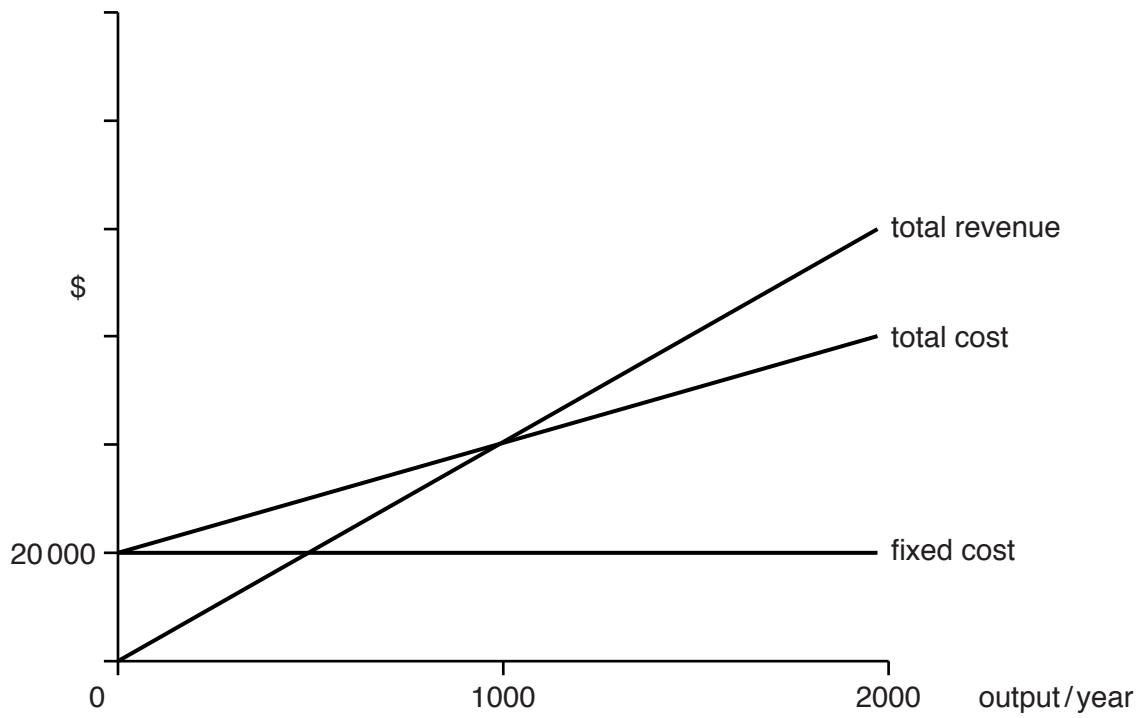
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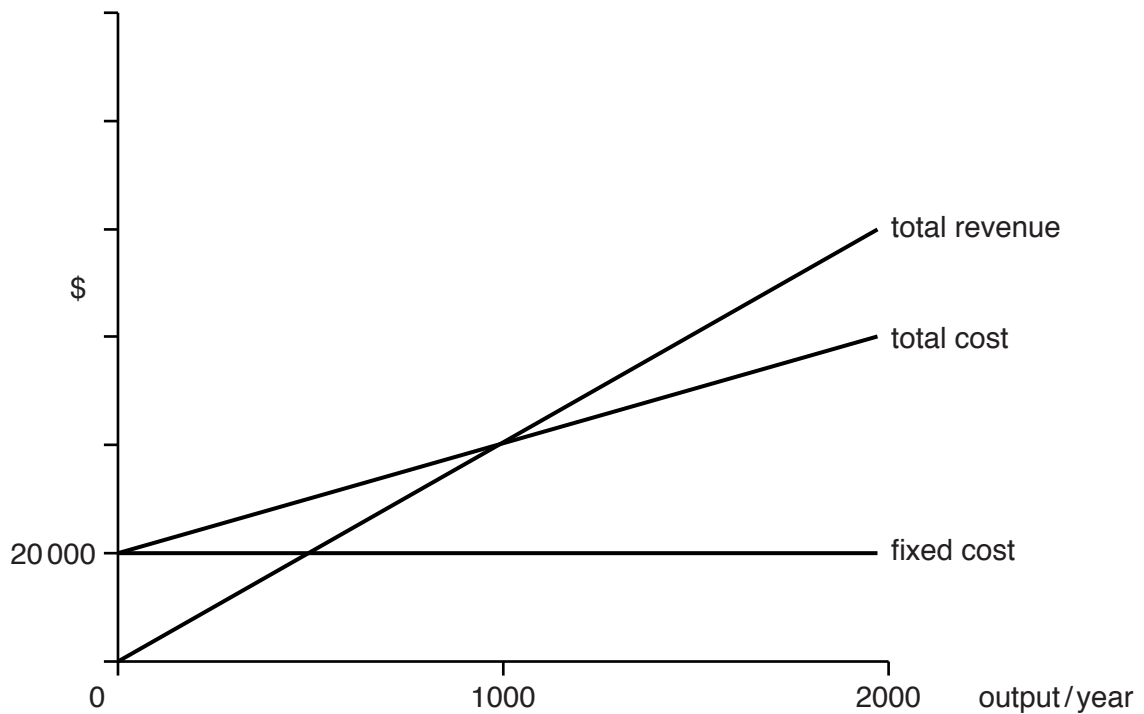
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Option 1 – Increase the price of the cooker to \$60



Option 2 – Decrease the variable cost of the cooker to \$10



- (b) The charts on the opposite page show the break-even point using a price of \$40 per cooker and variable cost of \$20 per cooker.

Show what happens to the break-even point for **each** of the following options by **drawing** on each chart on the opposite page:

- Option 1 – Increase the price of the cooker to \$60
- Option 2 – Decrease the variable cost of the cooker to \$10

Consider these **two** options for increasing the profitability of the cooker. Recommend which option the directors should choose. Justify your answer.

Option 1:

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Option 2:

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Recommendation:

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- 4 (a) Identify and explain **one** advantage and **one** disadvantage to CC of employing skilled workers in the factories.

Advantage:

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Explanation:

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Disadvantage:

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Explanation:

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- (b) CC wants to expand into country Z and has the choice of merging with a competitor in country Z or setting up its own factory in country Z. Consider these two options and recommend which one CC should choose. Justify your answer.

Merging with a competitor in country Z:

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Setting up its own factory in country Z:

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Recommendation:

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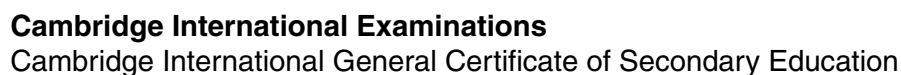
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0450/22

October/November 2015

1 hour 30 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

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You may use an HB pencil for any diagrams, graphs or rough working.

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DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.

The Insert contains the case study.

The business described in this question paper is 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.

The syllabus is approved 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 and **1** Insert.

- 1 (a) RRM is a small business. Identify and explain **two** reasons why RRM might remain small.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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..... [8]

- (b) Rafael thinks he could increase his sales by using market segmentation. Consider the advantages and disadvantages of each of the following methods to segment the market. Recommend which method he should use. Justify your answer.

Age:

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Income group:

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Gender:

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Recommendation:

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..... [12]

- 2 (a) Rafael's son wants to know more about motivating employees. Identify and explain **four** levels of Maslow's hierarchy of needs as they might apply to Rafael's employees.

Level:

Explanation:

.....

.....

Level:

Explanation:

.....

.....

Level:

Explanation:

.....

.....

Level:

Explanation:

.....

..... [8]

- (b) Rafael wants to recruit a new employee to help repair motorbikes. Consider how important each of the following factors are when choosing between the applicants for the job. Which is the most important factor? Justify your answer.

Age:

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Experience:

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Reason for leaving last job:

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Most important factor:

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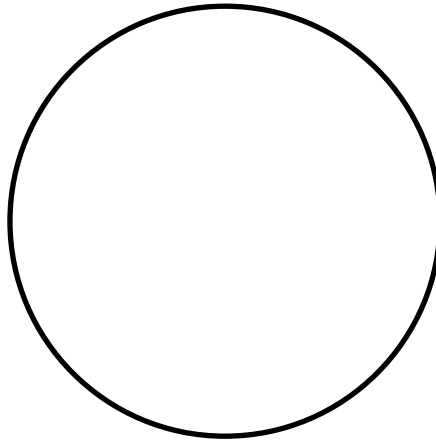
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..... [12]

- 3 (a) Complete the **two** different forms of presentation shown below for the population data in Appendix 1. Explain the advantages of each form of presentation.

First form of presentation:



Explanation:

.....

.....

.....

Second form of presentation:



Explanation:

.....

.....

..... [8]

- (b)** Do you think Rafael should be pleased with the profitability of his business in 2014? Use the data in Appendix 2 (including appropriate ratios) to justify your answer.

..... [12]

4 (a) Identify and explain the possible effects on Rafael's business of each of the following.

(i) Import quota on motorbikes:

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(ii) An appreciation of country X's currency :

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..... [8]

- (b) Rafael wants to open another showroom in Main City. He has **two** options as outlined in Appendix 3. Consider the advantages and disadvantages of each option for RRM. Recommend which location Rafael should choose. Justify your answer.

Option A (near Main City):

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Option B (in the centre of Main City):

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Recommendation:

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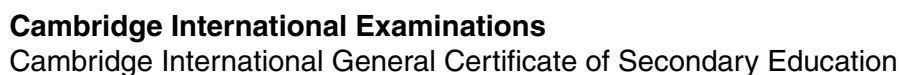
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0450/23

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- 1 (a) Identify and explain **two** objectives which Joey and Jennifer could set for the business.

Objective 1:

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Explanation:

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Objective 2:

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Explanation:

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.....[8]

- (b) Joey and Jennifer will need to finance the expansion plans for the factory. Consider the advantages and disadvantages of the following **three** sources of finance they could use. Recommend the best source to choose. Justify your choice.

Bank loan:

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Take on another partner:

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Retained profits:

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Recommendation:

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.....[12]

- 2 (a) Identify and explain **four** suitable ways Joey could communicate with his employees if he wants them to work extra hours to complete an urgent order.

Way 1:

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Explanation:

.....

Way 2:

.....

Explanation:

.....

Way 3:

.....

Explanation:

.....

Way 4:

.....

Explanation:

.....[8]

- (b) Jennifer wants to increase sales. Consider the advantages and disadvantages of each of the following **three** pricing strategies TP could use to increase sales. Recommend which is the best pricing strategy for TP to use. Justify your answer.

Cost plus:

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Competitive:

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Skimming:

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Recommendation:.....

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.....[12]

- 3 (a) Identify and explain **two** leadership styles which would be suitable for Joey to use with the production workers.

Leadership style 1:

Explanation:

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Leadership style 2:

Explanation:

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.....[8]

- (b) (i) Refer to the cash flow forecast in Appendix 2.

Calculate values for W, X, Y and Z and write your answers below.

W:

X:

Y:

Z:[4]

- (ii) Consider **two** ways of improving the cash flow position. Recommend the best way for Jennifer to improve the cash flow over the next six months. Justify your answer.

Way 1:

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Way 2:

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Recommendation:

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.....[8]

- 4 (a) Identify and explain **two** possible reasons why TP could fail.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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.....[8]

- (b)** To expand the business in the future Joey and Jennifer need to decide whether to use niche marketing or mass marketing. Consider the advantages of each of these methods. Recommend whether they should use niche marketing or mass marketing in the future. Justify your answer.

Niche marketing:

[illegible]

Mass marketing:

[illegible]

Recommendation:

.....[12]

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