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**BUSINESS STUDIES**

**0450/11**

Paper 1

**May/June 2017**

**1 hour 30 minutes**

Candidates answer on the Question Paper.

No Additional Materials are required.

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Answer **all** questions.

The businesses described in this question paper are entirely fictitious.

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The total number of marks for this paper is 80.

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1 QCH is a multinational company which makes a range of luxury cars. Last year it made a profit of \$700m. One of QCH's objectives is to enter new markets. QCH wants to start producing cars in country C, a fast growing economy. The Finance Director said: 'Meeting customer needs is important. We could form a joint venture or set up our own factory. Both options will be expensive, costing \$800m. I think QCH's expansion into country C could be good for other businesses there.'

(a) What is meant by a 'joint venture'?

.....  
.....  
.....  
.....

[2]

(b) Identify **two** advantages to QCH of having objectives.

Advantage 1: .....  
.....  
Advantage 2: .....  
.....

[2]

(c) Identify and explain **two** reasons why QCH might want to enter new markets.

Reason 1: .....  
.....  
Explanation: .....  
.....  
Reason 2: .....  
.....  
Explanation: .....  
.....

[4]



- 2 Josh owns an office cleaning business. He has a number of large and small business customers. Josh employs 6 full-time cleaners who are all given off-the-job training. Josh believes that using the latest cleaning equipment increases added value. He said: 'Customers are happy with the service. I am always sending text (SMS) messages to workers about additional work.' Josh has been looking at his balance sheet. He cannot decide if a bank loan is the best source of finance to use for new equipment. The new equipment will cost \$60 000.

**Table 1: Extract from Josh's balance sheet as at 30 April 2017 (\$000)**

Current assets		120
Trade receivables	90	
Cash	<b>X</b>	
Current liabilities		<b>Y</b>
Net current assets		70

- (a) What is meant by 'trade receivables'?

.....

.....

.....

.....

[2]

- (b) Calculate the following values.

X: .....

Y: .....

[2]

- (c) Identify and explain **one** advantage and **one** disadvantage to Josh of using text (SMS) messages as a method of internal communication.

Advantage: .....

.....

Explanation: .....

.....

Disadvantage: .....

.....

Explanation: .....

.....

[4]

(d) Identify **one** advantage and **one** disadvantage to Josh of using off-the-job training.

Advantage: .....

.....

Explanation: .....

.....

.....

Disadvantage: .....

.....

Explanation: .....

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[6]

(e) Do you think a bank loan is the best source of finance for Josh to use for the new equipment?  
Justify your answer.

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[6]

- 3 Wilde Soup Stop (WSS) makes a range of soups and hot drinks. It owns 30 shops and has sold its franchise to 10 other shops in country Z. The Marketing Director said: ‘Results from our focus group show that being an ethical business is important’. WSS plans to extend its product range to include curries and cakes. WSS will need to change its brand image. The Marketing Director cannot decide whether to use sponsorship or newspaper advertising as the main method of promotion.



**Fig.1: Existing logo for WSS**

- (a) Identify **two** ethical issues for a business.

Issue 1: .....

.....

Issue 2: .....

.....

[2]

- (b) What is meant by a ‘focus group’?

.....

.....

.....

[2]

- (c) Identify and explain **two** advantages to WSS of selling its franchise.

Advantage 1: .....

.....

Explanation: .....

.....

Advantage 2: .....

.....

Explanation: .....

.....

[4]

(d) Identify and explain **one** advantage and **one** disadvantage to WSS of changing its brand image.

Advantage: .....

.....

Explanation: .....

.....

.....

.....

Disadvantage: .....

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Explanation: .....

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[6]

(e) Do you think WSS should use sponsorship or newspaper advertising as the main method of promotion? Justify your answer.

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[6]

4 GKK makes plastic bottles for a range of products from food to chemicals. GKK buys its raw materials from a low-cost country. GKK's organisational structure is wide with a short chain of command which allows for delegation. The Government plans to introduce new legal controls to protect the environment. The Operations manager said: 'The Government might achieve one of its objectives but how does it affect GKK? This is a competitive market so prices are important.' He wants to improve efficiency and plans to use lean production.

(a) What is meant by 'chain of command'?

.....  
.....  
.....  
.....

[2]

(b) Identify **two** Government **economic** objectives.

Objective 1: .....  
.....  
Objective 2: .....  
.....

[2]

(c) Identify and explain **two** benefits to GKK of increasing efficiency.

Benefit 1: .....  
.....  
Explanation: .....  
.....  
Benefit 2: .....  
.....  
Explanation: .....  
.....

[4]

(d) Identify and explain **two** ways in which new legal controls to protect the environment might affect GKK.

Way 1: .....

Explanation: .....

Way 2: .....

Explanation: .....

[6]

(e) Explain **one** lean production technique. Recommend whether GKK should introduce this technique. Justify your answer.

.....

[6]

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**BUSINESS STUDIES**

**0450/12**

Paper 1

**May/June 2017**

**1 hour 30 minutes**

Candidates answer on the Question Paper.

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1 Cheung owns a small retail shop in the city centre selling fashion clothing for children. As it is a competitive market, Cheung knows market research is important. Cheung is worried about the effect of an increase in shop rent on his costs. Cheung said: 'I will have to pay this higher rent as it is a good location. I need to increase revenue or reduce other costs.' Cheung buys all his supplies from a wholesaler located in a nearby town. He is thinking of buying directly from a clothing manufacturer in another country.

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

.....  
.....  
.....  
.....

[2]

(b) Identify what will happen to each of the following when Cheung's shop rent increases.

Variable cost: .....

Fixed cost: .....

.....

[2]

(c) Identify and explain **two** possible reasons why Cheung thinks the shop is in a good location.

Reason 1: .....

.....

Explanation: .....

.....

Reason 2: .....

.....

Explanation: .....

.....

[4]

(d) Identify and explain **two** ways Cheung could increase revenue.

Way 1: .....

.....

Explanation: .....

.....

.....

.....

Way 2: .....

.....

Explanation: .....

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[6]

(e) Do you think Cheung should change his supplier? Justify your answer.

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[6]

- 2 LWM uses batch production to make car tyres in 15 different sizes. Last year LWM sold 60 million tyres including 40 million tyres of its best-selling size. The Finance Director has been looking at the financial data shown in Table 1. She said: 'Liquidity is important. I need to do some ratio analysis to measure business performance. In the previous year our Return on Capital Employed was 33%.' The directors are worried about increased competition but they cannot decide on the best way for LWM to respond.

**Table 1: Extract of financial data for 2016 (\$m)**

Revenue	3000
Profit	1000
Non-current liabilities	2000
Capital employed	4000

- (a) What is meant by 'liquidity'?

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

- (b) Identify **two** reasons why a director might want to measure business performance.

Reason 1: .....  
 .....  
 Reason 2: .....  
 ..... [2]

- (c)

- (i) Calculate the Return on Capital Employed (ROCE) for 2016.

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

- (ii) Explain what this result shows about LWM's performance.

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

(d) Identify and explain **one** advantage and **one** disadvantage to LWM of using batch production.

Advantage: .....

.....

Explanation: .....

.....

.....

.....

Disadvantage: .....

.....

Explanation: .....

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[6]

(e) Explain **two** ways LWM might respond to increased competition. Recommend which way LWM should choose. Justify your answer.

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[6]

3 Five years ago Manisha started making cakes from her home. The cakes are for celebrations, such as weddings and birthdays. Now she has a small shop and 3 employees. Product quality is important to her business. Manisha said: 'I have benefited from the economic boom but I did not expect demand to increase by 500% each year. Somehow I have managed to cope with higher interest rates and all the challenges of being a sole trader. The business is profitable at last but I have to work every day.' A friend has offered to become Manisha's business partner.

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

.....  
.....  
.....  
.....

[2]

(b) Identify **two** factors which might affect demand for Manisha's products.

Factor 1: .....

Factor 2: .....

[2]

(c) Identify and explain **two** ways higher interest rates might affect Manisha's business.

Way 1: .....

Explanation: .....

Way 2: .....

Explanation: .....

[4]

(d) Identify and explain **two** reasons why product quality might be important to Manisha's business.

Reason 1: .....

.....

Explanation: .....

.....

.....

.....

Reason 2: .....

.....

Explanation: .....

.....

.....

.....

[6]

(e) Do you think Manisha should have a business partner? Justify your answer.

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[6]

4 Steppa is a shoe manufacturer in the private sector. Steppa has 200 employees who all receive a high hourly wage rate. The Human Resources Director said: 'We use a democratic leadership style. Employees are an important stakeholder group. Happy workers are good for business. Revenue increased by 10% last year.' The director cannot understand why a high number of workers leave the business each year. She is looking at other non-financial methods to motivate employees.

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

.....  
.....  
.....  
.....

[2]

(b) What is meant by 'private sector'?

.....  
.....  
.....  
.....

[2]

(c) Identify and explain **two** effects on Steppa of a high number of workers leaving the business each year.

Effect 1: .....

Explanation: .....

Effect 2: .....

Explanation: .....

[4]

(d) Identify and explain **two** possible advantages for Steppa of using a democratic leadership style.

Advantage 1: .....

.....

Explanation: .....

.....

.....

.....

Advantage 2: .....

.....

Explanation: .....

.....

.....

..... [6]

(e) Explain **two** methods of non-financial reward that Steppa might use to increase employee motivation. Recommend which method Steppa should use. Justify your answer.

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..... [6]

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**BUSINESS STUDIES**

**0450/13**

Paper 1

**May/June 2017**

**1 hour 30 minutes**

Candidates answer on the Question Paper.

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1 CFE makes high quality steel used in shipbuilding. 40% of its output is exported. CFE's equipment is old and often breaks down. CFE plans to downsize (reduce) its workforce and 1200 of its 2100 skilled employees could be made redundant. The Managing Director blames reduced demand because of recession in some economies. A trade union spokeswoman said: 'Where are the opportunities from globalisation? This decision will affect many stakeholder groups. There must be another way for CFE to reduce costs.'

(a) What is meant by a 'trade union'?

.....  
.....  
.....  
.....

[2]

(b) Identify **two** possible reasons (other than reduced demand for steel) that could make it necessary to downsize the workforce.

Reason 1: .....  
.....  
Reason 2: .....  
.....

[2]

(c) Identify and explain **two** opportunities for CFE of globalisation.

Opportunity 1: .....  
.....  
Explanation: .....  
.....  
Opportunity 2: .....  
.....  
Explanation: .....  
.....

[4]



2 PCB is a public limited company. It makes a well-known brand of mobile (cell) phones. Pricing is important as it sells in a competitive market. PCB wants to increase its product range. It plans to make luxury headphones as the demand for these is growing fast. The Operations Director has to decide whether PCB should develop its own brand of headphones or take over an existing producer. For both options, the source of finance would be a share issue.

**Table 1: Information on the 2 options**

	Option 1: Develop own headphones	Option 2: Buy existing producer of headphones
Cost	\$12m – \$15m	\$45m
Time needed before product launch	12 – 18 months	3 months
Other information	Need to recruit 1 experienced designer	Existing producer has different leadership style and organisational structure

(a) What is meant by 'brand'?

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

(b) Identify **two** methods of pricing PCB could use for its mobile phones.

Method 1: .....  
 Method 2: ..... [2]

(c) Identify and explain **two** advantages to PCB of increasing the range of products it sells.

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

(d) Identify and explain **one** advantage and **one** disadvantage to PCB of issuing new shares as a source of finance.

Advantage: .....

.....

Explanation: .....

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.....

.....

Disadvantage: .....

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Explanation: .....

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[6]

(e) Recommend which option for increasing the product range the directors should choose. Justify your answer using the information in Table 1.

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[6]

- 3 C&P Designs is a business partnership between Cory and Phoebe. They make handmade jewellery. Phoebe works from home making all the jewellery such as necklaces and bracelets. C&P pays for materials when they are ordered, but allows their customers one month to pay. Cory manages the accounts and the shop. He is worried about cash flow, as shown in Table 2. Cory said: ‘The bank will not increase our overdraft. We should ask customers to pay more quickly.’ Phoebe thinks advertising would increase sales but is worried about legal controls on marketing.

**Table 2: Cash flow forecast for C&P (\$)**

	June	July	August
Cash inflow	480	440	460
Cash outflow:			
Raw materials	240	260	240
Shop rent and other costs	200	200	220
Total cash outflows	440	460	460
Net cash flow	40	(20)	<b>Y</b>
Opening balance	(60)	(20)	(40)
Closing balance	<b>X</b>	(40)	(40)

- (a) What is meant by an ‘overdraft’?

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

- (b) Calculate the following values.

X: .....  
 Y: ..... [2]

- (c) Identify and explain **two** ways in which legal controls on marketing might affect C&P.

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

(d) Identify and explain **one** advantage and **one** disadvantage to Cory and Phoebe of being in a business partnership.

Advantage: .....

.....

Explanation: .....

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.....

Disadvantage: .....

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Explanation: .....

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[6]

(e) Cory thinks asking customers to pay more quickly is the best way to improve cash flow. Do you agree? Justify your answer.

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[6]

4 TUKAN makes a range of soft drinks using flow production. All employees are paid a good wage but do not receive non-financial rewards. A high percentage of employees leave the business each year. A common reason given for leaving is that they have no involvement in decision-making. Last year, TUKAN's revenue increased by \$25m but profit did not increase. The Managing Director said: 'The economy is in the growth stage of the business cycle. However, we need to improve efficiency. Lean production methods might help. We need to recruit a new Operations manager who could have some ideas about this.'

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

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

(b) Identify **two** advantages of flow production.

Advantage 1: .....  
.....  
Advantage 2: .....  
..... [2]

(c) Identify and explain **two** advantages to TUKAN of introducing non-financial methods of reward.

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

(d) Identify and explain **two** possible lean production methods that TUKAN might use to improve efficiency.

Method 1: .....

.....

Explanation: .....

.....

.....

.....

Method 2: .....

.....

Explanation: .....

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.....

..... [6]

(e) Do you think it is better for TUKAN to use internal recruitment or external recruitment for the new manager? Justify your answer.

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..... [6]

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**BUSINESS STUDIES**

Paper 2

**0450/21**

**May/June 2017**

**1 hour 30 minutes**

Candidates answer on the Question Paper.

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1 (a) Identify and explain **two** ways in which TT might achieve quality production.

Way 1: .....

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Explanation: .....

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Way 2: .....

.....

Explanation: .....

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.....[8]



- 2 (a) Identify **two** motivational theories and explain how TT could use these theories to help increase worker motivation.

Theory 1: .....

Explanation of how TT can use this theory: .....

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Theory 2: .....

Explanation of how TT can use this theory: .....

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[8]

- (b) TT should consider the following **three** changes before making a final decision about whether to start exporting its products. Which change will be the most important for the decision? Justify your answer.

Appreciation in the exchange rate of country P's currency: .....

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Increased economic growth in many developed economies: .....

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Increase in the import tariffs in many developed economies: .....

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Conclusion: .....

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[12]

- 3 (a) Identify **two** communication barriers which might occur within TT and explain how each barrier might be reduced.

Communication barrier 1: .....

.....

How barrier might be reduced: .....

.....

.....

.....

.....

.....

Communication barrier 2: .....

.....

How barrier might be reduced: .....

.....

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.....

.....[8]

(b) Consider the following **three** channels of distribution TT could use for its products in country P. Recommend the best channel to gain the highest sales. Justify your answer.

Sell to a wholesaler: .....

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.....  
.....  
.....  
.....

Sell directly to large retailers: .....

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Open its own shops in shopping malls: .....

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.....  
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Recommendation: .....

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[12]

- 4 (a) Identify and explain **one** reason why TT will need short-term finance and **one** reason why TT will need long-term finance.

Short-term finance reason: .....

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Long-term finance reason: .....

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.....

[8]







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**BUSINESS STUDIES**

**0450/22**

Paper 2

**May/June 2017**

**1 hour 30 minutes**

Candidates answer on the Question Paper.

No Additional Materials are required.

**READ THESE INSTRUCTIONS FIRST**

Write your Centre number, candidate number and name in the spaces at the top of this page.

Write in dark blue or black pen.

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

Do not use staples, paper clips, glue or correction fluid.

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, **3** blank pages and **1** Insert.

- 1 (a) Identify **two** financial statements the directors will need to see before expanding CC. Explain why they will want to see each of these statements.

Financial statement 1: .....

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Explanation: .....

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Financial statement 2: .....

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Explanation: .....

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.....[8]



- 2 (a) Identify and explain **two** reasons why on-the-job training is important for new employees at CC.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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.....[8]



- 3 (a) Identify and explain **one** advantage and **one** disadvantage to CC if it changes to 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]



- 4 (a) Fizz Bomm is in the development stage of the product life cycle. Identify and explain **four** other stages of Fizz Bomm’s product life cycle.

Stage 1: .....

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Explanation: .....

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Stage 2: .....

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Explanation: .....

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Stage 3: .....

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Explanation: .....

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Stage 4: .....

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Explanation: .....

.....[8]







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**BUSINESS STUDIES**

**0450/23**

Paper 2

**May/June 2017**

**1 hour 30 minutes**

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- 1 (a) Identify and explain **two** types of tertiary businesses which provide services that SC is likely to use.

Type 1: .....

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Explanation: .....

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Type 2: .....

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Explanation: .....

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(b) Consider how each of the **three** following changes might affect sales of SC's products. Which change is likely to have the biggest effect on sales? Justify your answer.

Decrease in interest rates: .....

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Increase in petrol prices: .....

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New legal control to reduce pollution by limiting use of private cars for several days each week:

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Conclusion: .....

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[12]

2 (a) Identify and explain **two** reasons why SC employees might want to join a trade union.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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..... [8]

(b) Explain the following **three** factors SC will have to consider when marketing its products in foreign markets. Which factor do you think is the most important to achieve high export sales? Justify your answer.

Competition: .....

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Consumer needs: .....

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Channels of distribution: .....

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Conclusion: .....

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[12]

- 3 (a) Identify and explain **one** advantage and **one** disadvantage of making each product to the exact requirements of the customer.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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..... [8]

(b) Consider the advantages and disadvantages of **two** methods SC could use to ensure the quality of its products. Recommend the best method for SC to use. Justify your answer.

Method 1: .....

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Method 2: .....

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Recommendation: .....

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[12]

- 4 (a) Identify **four** methods SC could use to communicate with its stakeholders. Explain an example of when it could be used for each method.

Method 1: .....

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Example of when used: .....

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Method 2: .....

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Example of when used: .....

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Method 3: .....

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Example of when used: .....

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Method 4: .....

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Example of when used: .....

..... [8]







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