Cambridge IGCSE

Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME

CENTRE NUMBER | | | | | |

CANDIDATE NUMBER | | | | |

9988984949

BUSINESS STUDIES **0450/12**

Paper 1 **February/March 2019**

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 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.
The total number of marks for this paper is 80.

This syllabus is regulated 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.

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[Turn over

1 Anna and James have formed a business partnership. They own an ice cream shop on the main street in Capital city. The shop has 3 part-time employees and sells high quality ice cream to a niche market. Anna and James gain feedback by asking customers to complete questionnaires. Customers do not like the long queues and poor customer service. Anna thinks these problems are caused by the shop always being busy. James has suggested moving to a larger shop in a different location in Capital city.

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

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..... [2]

(b) Identify **two** disadvantages to a business of having part-time employees.

Disadvantage 1: .....

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Disadvantage 2: .....

..... [2]

(c) Identify and explain **two** possible reasons why Anna and James formed a business partnership.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **one** advantage and **one** disadvantage to Anna and James's business of asking customers to complete questionnaires.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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..... [6]

(e) Do you think Anna and James should move to a larger shop? Justify your answer.

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2 GXC produces car components in country X using imported raw materials. This year, GXC has invested in new machinery. This has resulted in the redundancy of 100 employees, 30% of its workforce. Some stakeholder groups were unhappy about this decision. GXC uses flow production and benefits from economies of scale. It sells the components to car manufacturers based in country Y. The exchange rate of country X's currency has recently appreciated. GXC's Managing Director is worried about this.

(a) Identify **two** economies of scale.

Example 1: .....

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Example 2: .....

..... [2]

(b) What is meant by 'redundancy'?

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..... [2]

(c) Identify and explain **one** advantage and **one** disadvantage to GXC of using flow production.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** stakeholder groups that could be affected by GXC's decision to invest in new machinery.

Stakeholder group 1: .....

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Explanation: .....

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Stakeholder group 2: .....

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Explanation: .....

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..... [6]

(e) Do you think GXC's Managing Director should be worried about the recent appreciation of the exchange rate of country X's currency?

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3 Sachin's business manufactures cricket bats for the mass market. He advertises in a national newspaper every two weeks. Demand for the cricket bats has rapidly increased since the business started two years ago. His 30 employees now produce 3 million cricket bats per year. A summary of costs and selling price is shown in Table 1. Sachin is finding it difficult to manage the business on his own. His friend has suggested delegating some tasks, such as marketing and production decisions, to employees.

Table 1: Summary of costs and selling price ($)

Fixed costs per year ($)	200 000
Variable cost per unit ($)	4
Price per unit ($)	20

(a) Calculate the total cost of producing 3 million cricket bats.

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..... [2]

(b) What is meant by 'variable cost'?

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..... [2]

(c) Identify and explain **one** advantage and **one** disadvantage to Sachin's business of advertising in a national newspaper.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** advantages to Sachin's business of selling to the mass market.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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..... [6]

(e) Do you think Sachin should delegate some tasks to employees? Justify your answer.

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4 DGC is a public limited company. It has a reputation for selling high quality branded clothes and shoes to women. It is a multinational company and owns shops in 10 countries. Each shop operates with a short chain of command between the shop manager and sales employees. DGC is planning to expand into country Z for the first time. DGC has carried out some secondary market research and has found that country Z has different cultural and social trends to its existing markets. The Managing Director thinks DGC should open the shops in country Z as a franchise. However, the Finance Director thinks DGC should buy its own shops using a suitable source of finance.

(a) Identify **two** methods of secondary market research.

Method 1: .....

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Method 2: .....

..... [2]

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

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..... [2]

(c) Identify and explain **two** advantages to DGC of being a multinational company.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** factors that DGC should consider when choosing a source of finance for expansion.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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..... [6]

(e) Do you think DGC should open shops in country Z as a franchise? Justify your answer.

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