

Script G with marks – paper 1

**IGCSE Business Studies
0450/01**

June 2002



UNIVERSITY *of* CAMBRIDGE
Local Examinations Syndicate

Centre Number	Candidate Number

Candidate Name _

**International General Certificate of Secondary Education
CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**0450/1
MAY/JUNE SESSION 2002**

**BUSINESS STUDIES
PAPER 1**

1 hour 45 minutes

Candidates answer on the question paper.
No additional materials are required.

TIME 1 hour 45 minutes

INSTRUCTIONS TO CANDIDATES

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

Answer **all** questions.

Write your answers in the spaces provided on the question paper.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question.

The businesses mentioned in the questions are entirely fictitious.

FOR EXAMINER'S USE	
1	13
2	9
3	5
4	12
5	8
TOTAL	47

This question paper consists of 12 printed pages.

1

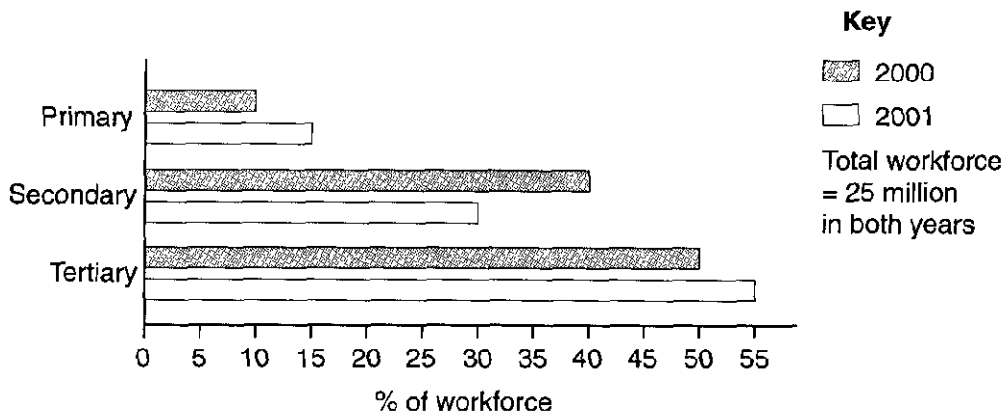


Fig. 1

(a) Using the data given in Fig. 1,

(i) state the % of the workforce employed in primary activities in 2000,

In 2000, 10% of the workforce is employed in Primary activities. ✓ [1]

(ii) calculate the number of people employed in tertiary activities in 2001.

$\frac{55}{100} \times 25 = 13.75$
 $= 13\text{m } 750\text{000 workers.}$ ✓ [2]

(b) Explain why, in many countries, the percentage of the workforce employed in tertiary activities is increasing.

People are becoming more skilled in various tasks thus giving them better opportunities to work in tertiary activities. And also, the world is becoming more developed each day so many job opportunities lie in that area. ✓ [3]

(c) Two large drink manufacturing companies have just merged creating a monopoly.

(i) What is meant by a monopoly?

A monopoly is two companies merging to become one in the line of business to increase their profit and general revenue. [2]

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(ii) Explain what advantages the companies would expect to gain from this merger.

This reduces the competition between them. Their sales would increase largely thus more profit to be made.

They may decide to create new drinks or find better methods of making the old ones through better technology - thus expanding production. [4]

4

(iii) Consumer groups objected to the creation of this monopoly. Why do you think they did this?

Due to the reduction of competition the drinks will be more expensive as one they do not have to compete for better prices.

Due to the company expanding land may be purchased which is meant to be left as part of the environment or for agriculture in the community. [4]

3

- (d) A market economy exists in many countries. Identify the main features of such a system.

Products are produced considering what consumers want, basically items are made depending on what people want.

The Government has a say in what should be produced, how it should be produced and for whom it is being produced. [4]

- 2 A balance sheet records the assets and liabilities of a business.

- (a) (i) Give an example of an asset usually found in a balance sheet.

A motor vehicle is a fixed asset. [1]

- (ii) Explain what is meant by a liability.

Liability makes up for the money owed by the business. [2]

- (iii) Why do businesses often make use of trade credit?

They can take goods and pay back much later that way the sales do not suffer due to lack of stock. [3]

13

0

- (iv) Explain what is meant by shareholders' funds.

The Capital in the business put in by those who own shares in the business.

[2]

- (b) 'Company Y made a profit of \$200 million in 2001. This is far too large,' said the Bombay Evening News.

- (i) What might a company do with the profits that it makes?

Firstly they should divided it and put some in the bank as retained profit which could earn interest. Invest in the stock market or in other business. Expand their current business to become a multinational company. Take over other businesses.

[4]

- (ii) \$200 million seems like a large profit. How might the Government judge if this profit was 'far too large'?

The company brings in a lot of revenue thus helping the economy as well as providing jobs - thus helping unemployment levels low.

[4]

- (c) When a company borrows money from a bank it sometimes has to give security for the loan.

- (i) Explain what this means.

When my money is borrowed from the bank, collateral is usually given as security. So that if the company cannot pay back on time, the collateral is used to ~~regain~~ ^{regain} the money. [2]

- (ii) Why might the bank require such security?

If the company cannot pay back the money or pay back on time, the collateral is sold to regain the loan. The collateral should be the same amount as the loan. [2]

- 3 (a) (i) Identify two pricing methods that a business could use.

Odd pricing and Mark up pricing are methods of pricing the business could use. [2]

- (ii) Explain the advantages to a business of each of your two chosen methods.

In odd pricing the business makes their products look cheaper than they are e.g. £199.99 instead of £200. The price is based according to the percentage of the profit. [4]

- (b) Let's Go Ltd have just launched a new bicycle aimed at the 5–10 year old market segment. Apart from price, explain other factors that the company should consider when deciding how to market this product.

The company should consider features - so that the product is unique and not duplicated.
Promotion - how to create awareness of this new product and advertise it.
Distribution - how it will be distributed.

[6]

- (c) Let's Go Ltd have developed this bicycle in response to the results of market research.

- (i) Do you think that Let's Go Ltd is a market orientated business or a product orientated business? Justify your answer.

It is a market orientated business simply because it produces what the consumer wants and that's how the business runs.

- (ii) If enough bikes could be sold, Let's Go Ltd could benefit from economies of scale. Using examples, explain what production economies of scale Let's Go Ltd could expect to achieve.

The company could achieve
financial economies of scale, these
to managerial and technical
economies of scale.

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5

[6]

- 4 A car manufacturing business wants to recruit extra skilled engineers.

- (a) (i) In the spaces provided in the job advertisement, shown in Fig. 2, add two items of information that should be included in a good job advertisement.

<p style="text-align: center;">Garrett Automobiles plc</p> <p style="text-align: center;">Skilled Engineers Wanted</p> <p>As a result of the continued expansion in our company we wish to recruit extra engineers to work on the installation of a new production line.</p> <ul style="list-style-type: none"> • 40 hour week • Salary \$25000 per year • Good promotion prospects • Good working conditions ✓ • fringe benefits ✓
--

2 ✓

[2]

Fig. 2

1/2 ✓

- (ii) Explain why you think that the information that you have added is important.

It is important because good working conditions are vital health. If a person works in a dirty, unsanitized place they likely to catch infections and other sicknesses. Fringe benefits are also vital because it is the good thing about the job besides pay such as medical care. [4]

- (iii) Explain where you think the business should place such an advertisement.

In the newspapers and in job centres. As well as boards and notices around town. [2]

- (b) Some businesses want to reduce the number of employees. Explain the difference between dismissal and redundancy (retrenchment).

Dismissal is when a person gets completely fired from the job their services to the company are now terminated. Whereas redundancy when a worker is deemed useless to the company e.g. if new technology is obtained by the company and the worker does not have those skills. [4]

- (c) Trade unions often try to increase the wages of their members. What arguments might they use to justify such increases during their wage negotiations?

Long hours deserve better pay of
overtime hours that should be spent at home.

Bad working conditions and fewer
fringe benefits too need better pay.

If the job is risky, higher wages
should be paid e.g. a fireman, a

construction worker, a bomb disarm. squad.

[4]

- (d) 'If wages increase, profits must fall.' Do you agree with this statement? Justify your answer.

Yes, because it's true if wages increase
profits will fall due to more money
being spent on the workforce and not
enough used in the production.

[4]

- 5 (a) (i) What are the characteristics of a multinational (transnational) company?

A company that has branches
worldwide.

Well known worldwide e.g. Coca Cola
Company and McDonald's.

[3]

- (ii) Why do you think that the number of such companies is increasing?

Faster methods of production
thus more profit being made
and capital from profits being
used to widely expand
the company.

[3]

- (b) A construction company is planning to build a new business park (zone) on the edge of town Z. Identify and explain the social costs and benefits that need to be considered by the government planning authorities.

More money being generated
in that part of the area thus
providing better things such
street lighting, better roads etc.
With a new business park there are
more job opportunities for the
people in that area. As well as
jobs in the business park itself
shops and a small may be
opened to accommodate^{for} the
needs of the business this
more development in the area.

3

[8]

- (c) Often laws are introduced to protect consumers. Give **three** examples of how consumers might benefit from such laws.

The consumer gets the best value and cannot be cheated or robbed of their money.

These laws give the consumer the right to sue the retailers or manufacturing industries for damaged packaging leading to leakage or spoilt goods e.g. yoghurt

[6]

8