

Centre Number

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Candidate Name _____

International General Certificate of Secondary Education
CAMBRIDGE INTERNATIONAL EXAMINATIONS
BUSINESS STUDIES
PAPER 1

0450/1

OCTOBER/NOVEMBER SESSION 2002

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 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	
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TOTAL	

This question paper consists of 11 printed pages and 1 blank page.



1 (a) Give an example of a business activity that would be classified as:

(i) a primary activity,

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(ii) a secondary activity.

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(b) Identify and explain **two** advantages of a partnership form of business organisation compared to a sole trader.

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(c) What is meant by the term limited liability?

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(d) (i) Explain the purpose of the Annual General Meetings held by Public Limited Companies (plc).

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2 (a) How could a sports shoe manufacturer segment its market?

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(b) (i) Define the term advertising.

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(ii) Explain why some advertising might not be cost effective.

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(c) The management of a hotel aims to increase the number of business guests using the hotel. Giving your reasons, suggest where you think they should advertise their hotel.

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(d) "The only way to compete with rival businesses is to charge lower prices." Do you agree with this statement?

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(e) State **three** functions that packaging performs.

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3 (a) Give **three** examples of current assets found on a balance sheet.

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(b) Explain the difference between profit and revenue.

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(c) Company	A	B
	(\$000's)	
Profit	10	5
Capital	50	20
Sales	100	60

Using profitability ratios explain which company in your view has the better performance.

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(d) Using an example explain the concept of economies of scale.

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(e) Under what circumstances might a business sell a product for less than its unit cost?

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4 X and Y are two car manufacturing companies. The wage rates in X are 25% higher than in Y.

(a) Why might these companies be paying different wage rates?

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(b) Should a business pay its workers the lowest wage possible? Justify your answer.

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(c) Sometimes a business will give fringe benefits to their employees.

(i) Give **two** examples of fringe benefits.

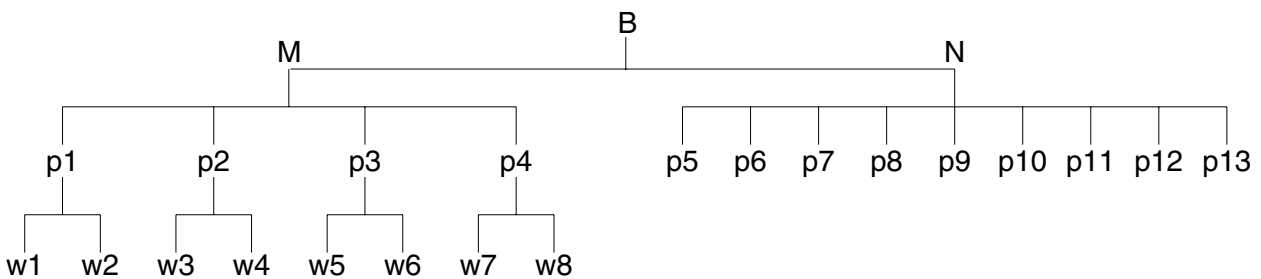
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(ii) Why might businesses give such benefits?

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(d) Fig. 1 shows a simplified organisational chart for a company.

Fig. 1



(i) Identify the span of control of manager M.

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(ii) What advantages and disadvantages can a wide span of control cause manager N?

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