

Centre Number

Candidate Number

Name

CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

BUSINESS STUDIES**0450/01**

Paper 1

May/June 2003

1 hour 45 minutes

Candidates answer on the Question Paper.
No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen in the spaces provided on the Question Paper.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

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 businesses described in this question paper are entirely fictitious.

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.

Stick your personal label here, if provided.

For Examiner's Use

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TOTAL	

This document consists of **13** printed pages and **3** blank pages.



(b) The management of a business might set growth as one of the objectives of the business. Explain why this objective might be set.

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(c) In some countries a number of state owned businesses have been sold to the private sector (privatisation). State and explain **two** possible disadvantages to consumers of this.

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2 Gurinder Singh runs a small business that manufactures office furniture. His best selling products are office desks and chairs. Sales turnover has risen but profits have stayed constant. The business is also experiencing cash flow problems.

(a) Explain **two** reasons why Gurinder's profit might have stayed the same despite sales turnover increasing.

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(b) Identify and explain **two** possible causes of his cash flow problem.

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(c) Gurinder's accounts show that the business owns both fixed assets and current assets. Give an example of a:

(i) fixed asset

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(ii) current asset.

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(d) Gurinder helps to finance his business activities by borrowing from a bank. His business has a secured loan.

What are the disadvantages to a business of using bank loans to finance their activities?

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(e) The success of a business can be assessed by looking at its final accounts. Explain how this can be done.

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3 (a) Fig. 1 shows the wage system in company B.

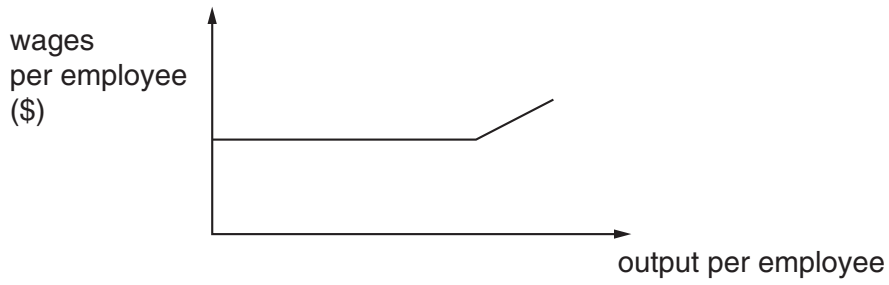


Fig. 1

(i) Describe how the wage system shown in Fig. 1 operates.

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(ii) Is the wage system used by company B a good way of motivating staff? Explain your answer.

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(b) Company C is finding it difficult to recruit new employees. It pays higher wages than other companies in the area. Explain **two** possible reasons why it is finding recruitment difficult.

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(c) The management of company D believe that they should increase their spending on staff training.

(i) State and explain **two** different types of training that could be used by the company.

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- 4 (a) (i) Draw an organisational chart in the space below that might be appropriate for a large manufacturing business that operates and sells in many countries.

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(ii) Use your chart to help explain:

(A) span of control

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(B) chain of command.

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(b) Outline **two** features of an effective communication system in a business.

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(c) State and explain **two** functions of the management of a business.

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(d) In many countries governments have introduced laws to stop employees being exploited. Using any examples known to you explain how such laws should help employees.

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5 (a) A fruit retailer buys his stock from a market wholesaler.

(i) State and explain **two** factors that the fruit retailer should consider before deciding the prices to charge his customers.

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(ii) Apart from advertising, suggest a promotion method that the fruit retailer could use to increase sales. Justify your answer.

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(b) The retailer knows that advertising should help to increase his sales.

(i) Explain why advertising can increase sales.

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(ii) Advertising is not always successful. Explain why.

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(c) Sales of even the most successful products reach maturity. Companies often introduce extension strategies to prolong the life of such products. Fig. 2 shows the product life cycle for a computer game.

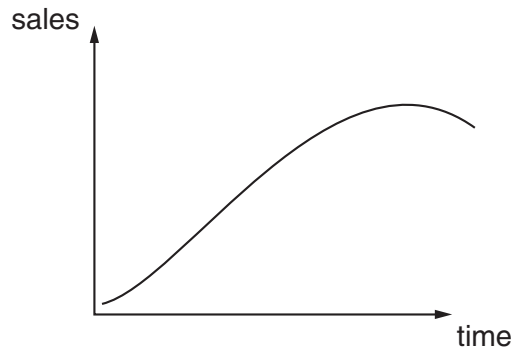


Fig. 2

(i) Show the possible effect of an extension strategy on the product life cycle shown in Fig. 2. Draw your answer on Fig. 2. [2]

(ii) Explain **one** possible extension strategy that the computer game manufacturer could use.

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