

Candidate Name _____

Centre Number

Candidate
Number

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**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

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TOTAL	

This question paper consists of 12 printed pages.

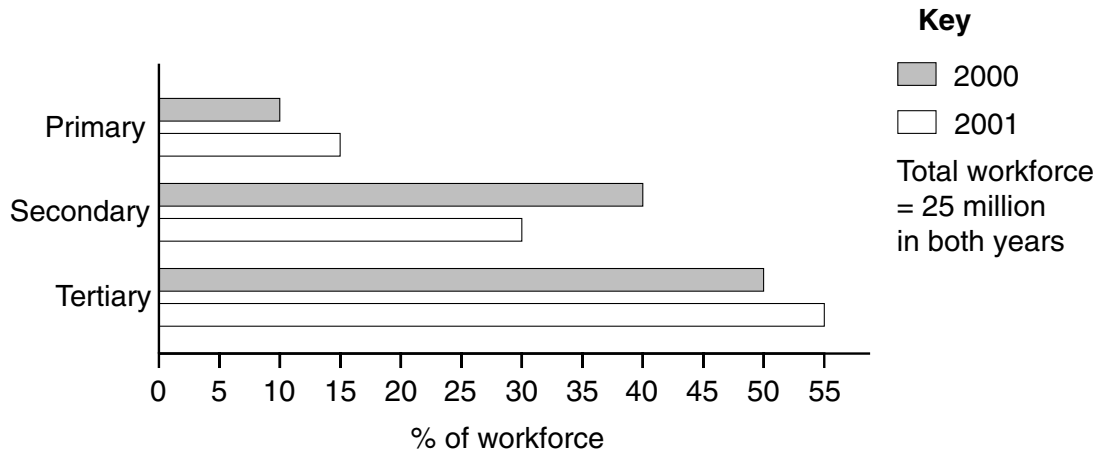


Fig. 1

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

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

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.....[1]

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

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

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

(i) What is meant by a monopoly?

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

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

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

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- 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.

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

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

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

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- (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?

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

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

(i) Explain what this means.

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(ii) Why might the bank require such security?

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

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

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- (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.

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- 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.

Garrett Automobiles plc

Skilled Engineers Wanted

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.

- 40 hour week
- Salary \$25000 per year
- Good promotion prospects
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Fig. 2

[2]

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

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

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

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- (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?

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

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

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