

Centre Number	Candidate Number	Name
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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	
1	
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TOTAL	

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



- 1 (a) When someone sets up their own business for the first time they often decide to operate as a sole trader.

- (i) State and explain **two** features of a sole trader business.

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- (ii) Give **three** reasons why people may set up their own business.

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- (d) Table 1 gives employment data for country A over the last 10 years.

Table 1

Employment data for country A 1993–2002

	1993	2002
% of labour force employed in		
Primary Sector	21	14
Secondary Sector	45	40
Tertiary Sector	30	41
Unemployed as % of labour force	4	5
Labour force (millions)	80	84

- (i) Calculate the **number** of people employed in secondary business activities in 2002.

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- (ii) Outline **two** possible reasons to explain the changes in the pattern of employment between 1993 and 2002 in country A.

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

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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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- The graph illustrates the relationship between wages per employee and output per employee. The vertical axis represents wages per employee in dollars, and the horizontal axis represents output per employee. The relationship is piecewise linear: it starts with a horizontal segment, indicating that wages are constant regardless of output, and then transitions to an upward-sloping segment, indicating that wages increase with output.

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

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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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- (ii) Describe the benefits for company D of having a more highly trained staff.

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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.

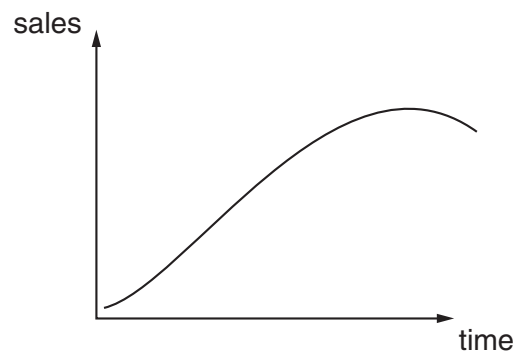


Fig. 2

- (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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