

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

**BUSINESS STUDIES**

Paper 1



**0450/01**

October/November 2006

**1 hour 45 minutes**

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

Candidate  
Name

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Centre  
Number

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**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.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

The businesses described in this question paper are entirely fictitious.

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.

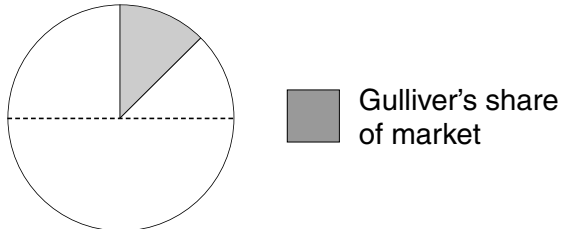
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This document consists of **11** printed pages and **1** blank page.

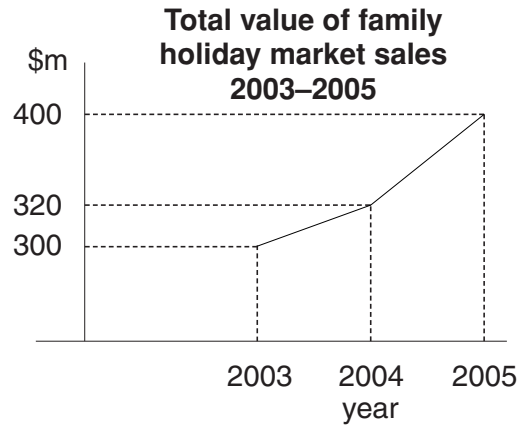


- 1 Gulliver Travel sells family holidays. Gulliver researched the market and discovered that what families wanted was good value for money when buying their holidays. Gulliver's Managing Director told other directors that 'there are a lot of companies selling holidays so it is very important that we give the customer exactly what they want'. Figures 1 and 2 give data regarding the family holiday market.

**Market share of  
total family holiday  
market 2005**



**Figure 1**



**Figure 2**

- (a) (i) Calculate the value of Gulliver Travel's sales in 2005.

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 .....[2]

- (ii) Using Figure 2 calculate the % growth in the total value of family holiday market sales between 2003 and 2005.

.....  
 .....[2]

- (b) Explain why the demand for Gulliver's sales of family holidays is likely to be price elastic.

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 .....[4]

- (c) How could one element of the marketing mix, other than price, be used to increase Gulliver's sales of holidays?

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- (d) Gulliver researched the market by giving a questionnaire to families at the end of their holidays.

- (i) Explain why the business might have used this method of gathering data.

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- (ii) Explain one reason why the data gathered might not be accurate.

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- 2 Giovanni had been to see his bank manager to talk about ways of financing the growth of his business. He wanted to open five new shops selling electrical goods such as televisions and radio equipment. The bank manager told him that he must think very carefully about the capital needs of this expansion which would involve both fixed and current assets. The bank manager told Giovanni that he would need to see the accounts of the business including a cash flow forecast before the bank could increase its lending.

(a) (i) Explain what is meant by a fixed asset.

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.....[2]

(ii) Give an example of a current asset that Giovanni's business would own.

.....

.....[1]

(iii) What is meant by a cash flow forecast?

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.....[2]

(b) (i) Explain **two** reasons why the bank manager would want to see the accounts of the business before increasing the bank's lending to Giovanni.

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.....[4]

- .....[5]

### Table 1

|           |         |     |
|-----------|---------|-----|
|           | \$000's |     |
| Stock     | 50      |     |
| Debtors   | 60      |     |
| Cash      | 0       | 110 |
| Overdraft | 80      |     |
| Creditors | 40      | 120 |

- .....[2]

- [4]

**3** The directors of Philochem are thinking about building a chemical factory in country Z.

(a) Identify and explain **three** factors the directors need to consider in making this location decision.

[6]

**(b)** Using examples show why a knowledge of health and safety laws in country Z would be important for the management of this business.

.....[4]

- (c) Most of the employees in existing factories of Philochem are members of a trade union. What benefits does a worker gain from being a member of a trade union?

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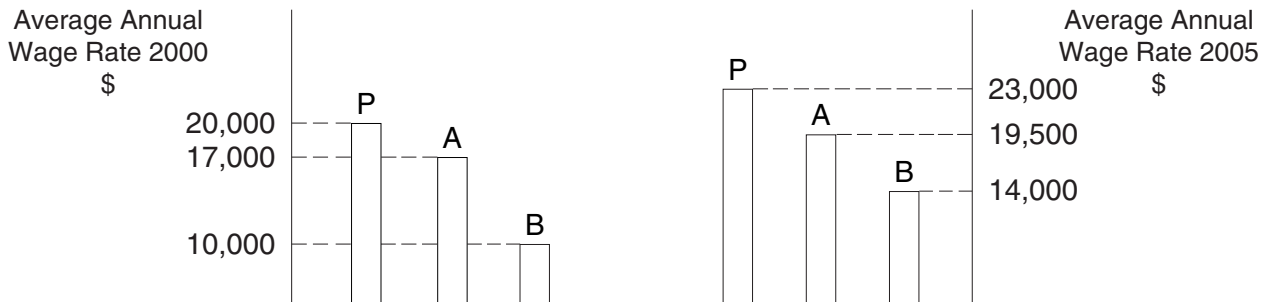
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- (d) Figure 3 shows data relating to the rates of pay in Philochem (P) and two other large chemical companies (A and B) in Europe between 2000 and 2005.



**Figure 3**

- (i) Which company raised its wages by the greatest amount between 2000 and 2005. Explain your answer.

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.....[2]

- (ii) Using Figure 3 explain why different companies increase their wage rates over time by different amounts.

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- (a) (i)** Describe the management style used by Gurinder.

.....[3]

- .....[6]



- [3]

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- .....
- [2]

- .....[6]

- 5 J.T. Enterprises is a large private sector business that owns a number of farms in country A. The business breeds a variety of animals such as cows and sheep as well as growing crops. They employ many workers and the business is successful and profitable.

(a) Why is profit important to a business such as J.T. Enterprises?

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(b) Using an example from J.T. Enterprises explain what is meant by added value.

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(c) Many farmers such as J.T. Enterprises export their animals and crops. If the currency of Country A depreciates on the foreign exchange markets explain how this could affect the sales of J.T. Enterprises in export markets.

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- .....[6

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