

Centre Number	Candidate Number	Name
---------------	------------------	------

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

**BUSINESS STUDIES**

**0450/01**

Paper 1

May/June 2004

**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	
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	
<b>TOTAL</b>	

This document consists of **12** printed pages.



- 1 Classic Computers manufactures computers. Some of its products are in the maturity stage of their product life cycle. The market for computers is very competitive. The management know that sales depend on the right marketing mix decisions. The Marketing Manager believes that the demand for computers is price elastic. Table 1 gives some data about Classic Computers.

**Table 1**

Classic Computers Sales Data 2003

Sales volume (units)	500
Sales revenue (\$)	400 000

The total market value of computer sales in 2003 was \$2 million.

- (a) Calculate for Classic Computers:

- (i) the unit selling price,

.....

.....

.....

..... [2]

- (ii) its market share.

.....

.....

.....

..... [2]

- (b) (i) Draw and label the stages of a product life cycle.

[4]

(ii) Explain what is meant by the maturity stage of a product life cycle.

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

(c) (i) The demand for Classic Computers' products is price elastic. Do you think that the Marketing Manager should increase the prices of computers? Explain your answer.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [4]

(ii) Explain how **two** elements of a marketing mix other than price might help the sales of Classic Computers' products.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [6]

2 Anesh Patel's business makes toys. His business has been successful. However recently sales and profits have been falling. 'Things seem to be getting worse,' he said. 'The government is raising interest rates and introducing new health and safety laws. I may have to make some workers redundant if my costs rise any more. What the government should be doing is keeping out cheap imports.'

(a) (i) Give **two** examples of health and safety problems that government laws might try to solve.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [4]

(ii) Do you think that governments should introduce health and safety laws? Explain your answer.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [6]

**(b) (i)** Why does Anesh believe that the government should keep out cheap imports?

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

**(ii)** Explain **one** method that could be used to protect Anesh's business from cheap imports.

.....  
.....  
.....  
.....  
.....  
..... [3]

**(c)** Why might a rise in interest rates affect the profits of Anesh's business?

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [5]

- 3 Titaya Fabrics is a sole trader business that manufactures a range of clothing. It sells directly to retail shops. Sabina, the owner, is looking at the accounts of the business. A summary of these is given in Table 2.

**Table 2**

Profit/Loss Account (\$000's)  
Titaya Fabrics for year ending 31 December 2003

Sales	120
Cost of Sales	70
Gross Profit	?
Overheads	40
Net Profit	10

**(a)** Calculate:

**(i)** gross profit,

.....  
 ..... [1]

**(ii)** net profit margin.

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

**(b)** Explain why profits matter to a business such as Titaya Fabrics.

.....  
 .....  
 .....  
 .....  
 .....  
 ..... [3]

(c) Sabina is planning to change the business into a limited company. Would you advise her to do this? Explain your answer.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [6]

(d) Sabina was unsure of the meaning and importance of several items found in her accounts.

(i) What is meant by a fixed asset?

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

(ii) Explain why business accounts often include debtors.

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

(iii) Identify and explain **one** ratio other than net profit margin that could be used to judge the financial success of her business.

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]



- 4 Manfred Lorenz manages an insurance office. He is worried about the large number of his staff who have left to work for other companies. He has collected the following information.

**Table 3**

Information about office staff

	Average	Manfred's company
Starting salary	\$10 000	\$11 000
Average salary after 5 years	\$17 000	\$15 000
Average time before first promotion	3 years	5 years
Average number of years in job	6 years	2.5 years
Average hours worked per week	40	46

- (a) Does the information show that Manfred has a problem in keeping his staff?

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

- (b) Explain the possible reasons why Manfred's staff are leaving their jobs.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [6]

(c) Manfred is planning to increase staff salaries. Do you think that this will reduce the problem of staff leaving? Explain your answer.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

..... [6]

(d) When Manfred recruits new staff they are given induction training.

(i) What is meant by induction training?

.....  
.....  
.....  
.....

..... [2]

(ii) How useful is induction training to businesses?

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

..... [4]

5 Balltop plc is an engineering company based in England. It manufactures a range of industrial products. The U.S.A. is its main market. It has been reported in newspapers that the company dumps its industrial waste near to its factory.

(a) Which level of business activity best describes Balltop plc: Primary, Secondary or Tertiary? Explain your answer.

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

(b) How do the objectives of public sector activities often differ from those of the private sector?

.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [4]

(c) The exchange rate of the £ to the U.S.A. \$ is £1 = \$1.5.

(i) If a Balltop plc product is priced at £200 what price would you expect it to sell for in the U.S.A.? Show your calculations.

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

(ii) If the exchange rate of the £ rose against the \$, would this help Balltop plc's exports to the U.S.A.? Explain your answer.

.....  
.....  
.....  
.....  
.....  
.....  
..... [3]

(d) Pressure groups, such as Greenpeace, are a group of people who feel strongly about issues.

(i) How might a pressure group attempt to get a company like Balltop plc to change some of its policies?

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [4]

(ii) Many people believe that it is the role of governments to pass laws to stop firms damaging the environment. Do you agree?

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [5]