UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

BUSINESS STUDIES

Paper 1



May/June 2005

1 hour 45 minutes

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

Candidate Name								
Centre]	С	andidate	; [
Centre Number					umber			

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.

DO NOT WRITE IN THE BARCODE.

DO NOT WRITE IN THE GREY AREAS BETWEEN THE PAGES.

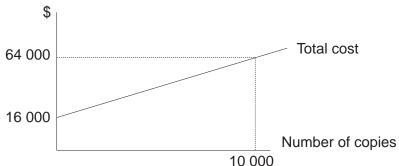
For Exam	iner's Use
1	
2	
3	
4	
5	
Total	

This document consists of 15 printed pages and 1 blank page.



Jomo manages a small printing business. One of his customers asked Jomo to quote a price for a sales leaflet that they needed. Jomo investigated the costs of the order and his results are shown in Fig. 1. Jomo adds a mark up of 50% to the average cost per unit of an order to calculate his selling price.

Fig. 1
Costs for sales leaflet



	10 000
(a) (i)	Explain what is meant by a 'fixed cost'.
	[2]
(ii)	State the value of the fixed costs for the sales leaflet.
	[1]
(iii)	Calculate the variable cost per sales leaflet.
	[2]
(iv)	Calculate the price that Jomo would charge per leaflet if the order size was 10000.
	[3]

			•••••		
he machinery in	Jomo's printing	g business is	old. Identify an		
ne machinery in	Jomo's printing	g business is			
he machinery in	Jomo's printing	g business is			
he machinery in	Jomo's printing	g business is			
he machinery in	Jomo's printing buying new ma	g business is achinery.		d explain two	advantages
he machinery in the business of	Jomo's printing buying new ma	g business is achinery.	old. Identify an	d explain two	advantages
he machinery in	Jomo's printing buying new ma	g business is achinery.	old. Identify an	d explain two	advantages
he machinery in	Jomo's printing buying new ma	g business is achinery.	old. Identify an	d explain two	advantages
he machinery in	Jomo's printing buying new ma	g business is achinery.	old. Identify an	d explain two	advantages
he machinery in	Jomo's printing buying new ma	g business is achinery.	old. Identify an	d explain two	advantages
ne machinery in	Jomo's printing buying new ma	g business is achinery.	old. Identify an	d explain two	advantages
he machinery in	Jomo's printing buying new ma	g business is achinery.	old. Identify an	d explain two	advantages
he machinery in	Jomo's printing buying new ma	g business is achinery.	old. Identify an	d explain two	advantages
he machinery in	Jomo's printing buying new ma	g business is achinery.	old. Identify an	d explain two	advantages
ne machinery in	Jomo's printing buying new ma	g business is achinery.	old. Identify an	d explain two	advantages
he machinery in	Jomo's printing buying new ma	g business is achinery.	old. Identify an	d explain two	advantages

2 The Government of country A has recently collected data concerning the business sectors of the country. Table 1 shows this data.

For Examiner's Use

Table 1

Business activity by sector 2004

Sector	% of total employment	% of total GDP
Primary	50	30
Secondary	40	45
Tertiary	10	25

GDP measures the value of the total output produced in a country in one year. In 2004 the GDP of country A was \$1800m.

Table 2Business size measured by number of employees 2004

Number of employees	% of Businesses
Less than 10	40
10–100	45
greater than 100	15

The number of employees in country A in 2004 was 15m.

(a)	Usir	ng Table 1 calculate:			
	(i)	The number of people employed in Tertiary activities.			
		[2]			
	(ii)	The value of the output of the Primary sector of the economy.			

(b)	Table 2 shows the size of businesses by the number of people employed. Is using the number of employees to measure business size the best method? Explain your answer.
	[11]
, ,	
(c)	In country A some of the largest businesses are in the public sector. Explain two objectives that a public sector business might aim to achieve.
	[6]
	[0]

(d)	Some people say that business activity is bad because it can damage the environment. Does business activity always damage the environment? Explain your answer.	For Examiner's Use
	[6]	

© UCLES 2005

3 Carlton is the Managing Director of a company that owns twenty cafes. Carlton wants this business to grow by opening another ten. He knows that the company will need to raise capital to finance this expansion. The business currently has a high level of debt and Carlton does not want to increase this further. Table 3 is a summary of the company's balance sheet.

For Examiner's Use

Table 3

Carlton

	Balan	ce sheet as at 21.12.20 \$000's)04	
	Fixed Assets Current assets Current liabilities Net assets Share capital Long term liabilities Capital Employed	600 400 300 1100	1200 1400 1400	
(a) (i)	Explain what is meant by	y a 'current asset'.		
(ii)		io for Carlton.		ro.
				[2]

(b) (i)	Identify and explain two sources of INTERNAL finance that Carlton could use to finance the expansion.
	[4]
(ii)	Do you think that Carlton should increase its debt to finance the expansion? Explain your answer.
	[5]

(c)	Car	Iton made a net profit of \$200 000 in 2004.
	(i)	Calculate the rate of return on capital employed.
		[3]
	(ii)	Explain one way in which a profitable business could run out of cash.
		[4]

Sam said to his accountant 'I am not sure whether all this technological change is helping

my business or not. The internet has given us marketing opportunities but it has also brought problems. Last week my computer systems crashed and the repair costs are high. In addition I need to train two of my workers to operate the computer system. I still prefer to speak to the people I do business with face to face.' (a) Explain the marketing opportunities that the internet has created for many businesses. **(b)** Does technological change always benefit business?

Sam is the managing director of his company which is a major book publisher. He knows that as a company gets larger it is important to create an organisational structure and to delegate tasks. The company employees 25 staff and their job positions are shown in Fig. 2.

For Examiner's Use

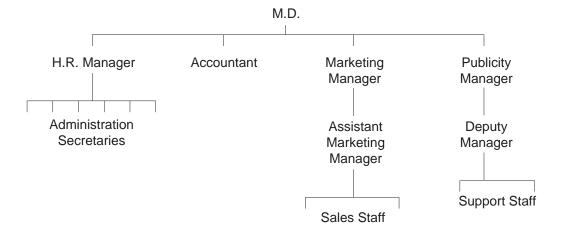


Fig. 2

(ii) What is meant by an 'organisational structure'?

[2

(iii) Use Fig. 2 to explain the term 'span of control'.

(iii)	What problems might a narrow span of control create for a business?		
` ´		For Examiner's Use	
	[4]		

Devine Computers is a medium size business that sells computers to both business and

Devine, other co	I customers. It is situated in country B. Country B's economy is in recession. Musthe Managing Director, is now thinking of exporting some products to markets in untries. The Managing Director is not sure what are the risks and opportunities of the also knows that products like computers have a short product life cycle.
(a) (i)	What is meant by a 'recession in an economy'?
	[2
(ii)	Explain how a recession in country B might affect the sales of Devine Computers.

For Examiner's Use

5

	ner countries.
	ro.
	[6]
ig. 3 shows th	ne product life cycle for Devine Computers.
	Fig. 3
i) Label the	axes and state the stages of the product life cycle on the diagram.
,	
	•••••••••••••••••••••••••••••••••••••••

(ii)	Explain the disadvantages of a short product life cycle for Devine Computers.		
		For Examiner's Use	
		USE	
	[5]		

© UCLES 2005

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.