

## Location Entry Codes

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As part of CIE's continual commitment to maintaining best practice in assessment, CIE uses different variants of some question papers for our most popular assessments with large and widespread candidature. The question papers are closely related and the relationships between them have been thoroughly established using our assessment expertise. All versions of the paper give assessment of equal standard.

The content assessed by the examination papers and the type of questions is unchanged.

This change means that for this component there are now two variant Question Papers, Mark Schemes and Principal Examiner's Reports where previously there was only one. For any individual country, it is intended that only one variant is used. This document contains both variants which will give all Centres access to even more past examination material than is usually the case.

The diagram shows the relationship between the Question Papers, Mark Schemes and Principal Examiners' Reports that are available.

| <b>Question Paper</b>         | <b>Mark Scheme</b>         | <b>Principal Examiner's Report</b>         |
|-------------------------------|----------------------------|--|
| Introduction                  | Introduction               | Introduction                               |
| First variant Question Paper  | First variant Mark Scheme  | First variant Principal Examiner's Report  |
| Second variant Question Paper | Second variant Mark Scheme | Second variant Principal Examiner's Report |

### **Who can I contact for further information on these changes?**

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The titles for the variant items should correspond with the table above, so that at the top of the first page of the relevant part of the document and on the header, it has the words:

- First variant Question Paper / Mark Scheme / Principal Examiner's Report

or

- Second variant Question Paper / Mark Scheme / Principal Examiner's Report

as appropriate.



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**BUSINESS STUDIES**

**0450/11**

Paper 1

**October/November 2008**

**1 hour 45 minutes**

Candidates answer on the Question Paper.  
No Additional Materials 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.  
Do not use staples, paper clips, highlighters, glue or correction fluid.  
**DO NOT WRITE IN ANY BARCODES.**

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.

| For Examiner's Use |  |
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| 5                  |  |
| <b>Total</b>       |  |

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

1 Hersha Singh runs a textile manufacturing business. He pays his workers a high hourly wage rate. He is thinking of introducing a piece rate element but with a lower hourly wage rate. He is not sure whether such a change would benefit either his business or his employees.

(a) (i) Explain what is meant by a 'high hourly wage rate'.

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..... [2]

(ii) Do you think that the introduction of a piece rate element will benefit the following? Explain your answers.

1. His employees: .....

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2. Mr Singh's business: .....

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..... [6]

(b) Hersha's son Jordan owns a business that assembles computers. He believes in giving his workers responsibility to plan their own work. 'I just let them get on with their jobs as I'm sure that this freedom motivates them' he said. 'I help organise training for them if they need it'.

(i) Do you think that responsibility motivates employees? Explain your answer.

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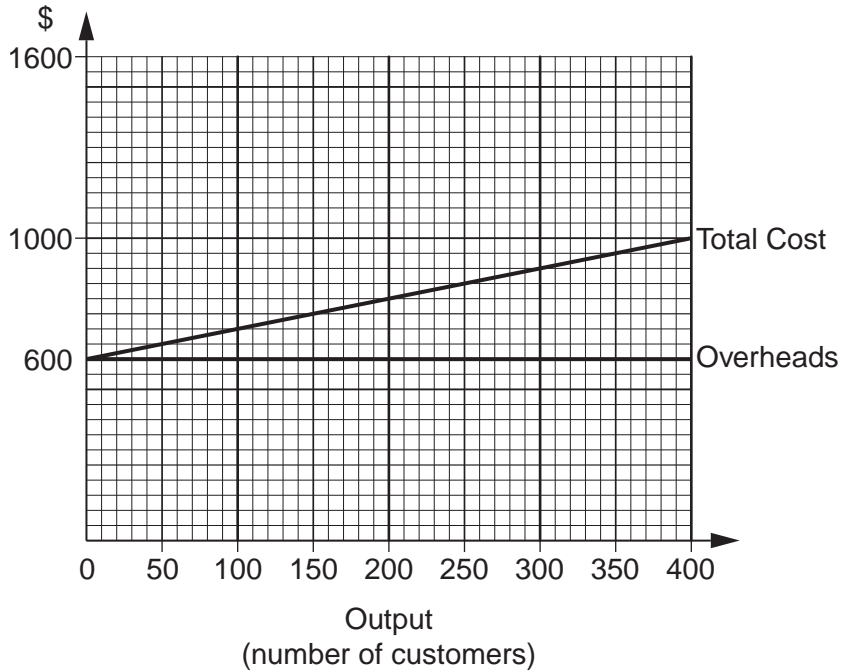
(ii) Describe and explain Jordan's management style.

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(iii) To what extent might training help the performance of employees in Jordan's business?

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- 2 Pedro has recently set up a small business washing cars in a supermarket car park. He charges \$4 per car cleaned and estimates his variable costs as being \$1 per car. He has weekly overheads of \$600 including a marketing budget of \$60.



**Fig. 1**

- (a) (i) Draw the sales revenue line on Fig. 1 above. [2]

- (ii) State the breakeven output shown on the chart.

..... [1]

- (iii) State the breakeven revenue earned by the business.

..... [1]

- (b) Pedro believes that the demand for his services is price elastic. Should he consider increasing the prices that he charges? Justify your answer.

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(c) (i) What is meant by a 'marketing budget'?

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.....[2]

(ii) Why do most businesses have a marketing budget?

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(d) If Pedro's business is successful he hopes to use the profits to expand the business and to make *Pedro Car Wash* a well known brand name.

(i) Explain the term 'brand name'.

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.....[2]

(ii) How could this brand name help Pedro build up his business?

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.....[4]

3 Sudhir Yadav lives in a city in country Z. The city has a big Indian population. When Sudhir was looking for a business opportunity he identified a niche market in selling saris and similar clothes to Indian ladies. He imports the clothes from country X and sells them to retailers in his city.

(a) Explain the term 'niche market'.

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.....[2]

(b) Sudhir's business is that of a wholesaler. Why do you think that retailers in country Z don't buy their clothes directly from the suppliers?

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.....[4]

(c) If the currency of country Z appreciated in value how would this affect the profitability of Sudhir's business? Explain your answer.

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5 Aglahor Enterprises manufacture a range of kitchen equipment for the home. Fig. 2 gives data concerning their 3 best selling products (coded x, y and z). In 2000 Aglahor's sales were valued at \$90m, while by 2007 they had grown by a further \$60m. The total value of the market for kitchen equipment in 2007 was \$1200m.

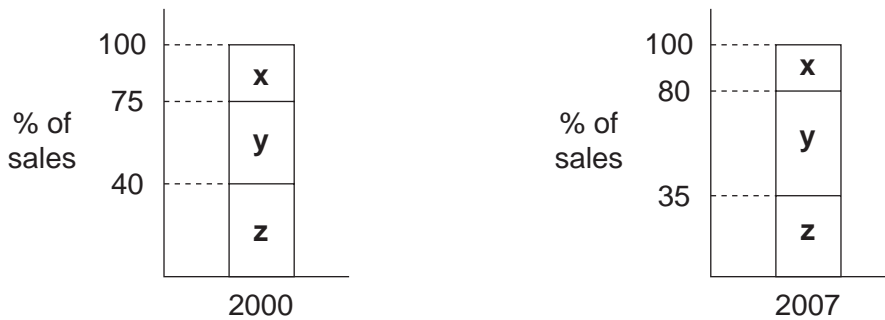


Fig. 2

(a) Calculate

(i) The value of sales of product x in 2007.

.....[2]

(ii) The market share of Aglahor Enterprises in 2007.

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

Aglahor Enterprises use flow production methods to manufacture their products. Some of its rivals use batch methods of production.

(b) (i) What is meant by 'batch production'?

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(ii) Explain **two** benefits of flow production methods.

Benefit 1: .....

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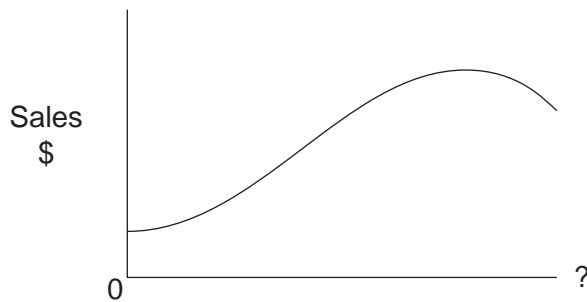
Benefit 2: .....

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.....[4]

(c) Recently sales of one of Aglahor Enterprises products (a coffee machine) have been falling. The pattern of sales is shown in the product life cycle shown in Fig. 3.



**Fig. 3**

(i) Label the x axis on Fig. 3. [1]

(ii) How might Aglahor Enterprises try and extend the product life cycle of its coffee machines?

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.....[4]

(d) Explain **two** benefits to the management of Aglahor Enterprises of sales forecasts for their products.

Benefit 1: .....  
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Benefit 2: .....  
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..... [4]

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**BUSINESS STUDIES**

**0450/12**

Paper 1

**October/November 2008**

**1 hour 45 minutes**

Candidates answer on the Question Paper.

No Additional Materials required.

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



1 Jomo owns a restaurant in the centre of town. He employs three staff in the kitchen, two serving at tables and one at the cash desk. Jomo pays his staff the legal minimum weekly wage but he does share all tips equally between them. The staff would like the payment system to change so that they would be paid a higher weekly wage but then all the tips would be kept by Jomo.

(a) Do you think this change in the payment system would benefit the following? Explain your answer.

The staff: .....

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Jomo: .....

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(b) Jomo treats his staff strictly. He gives orders to everyone and tells them what he expects. He does not believe that there is enough time in a busy restaurant to hold meetings with his staff.

(i) Describe Jomo's management style.

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(ii) Do you think that Jomo should consult his staff rather than simply telling them what to do? Explain your answer.

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(c) (i) Jomo needs to employ a new person to serve at the tables. Produce a job description that you think would be suitable for the job.

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(ii) Explain how the job description might help in the recruitment of the new member of staff.

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2 Sigrid has recently set up a house cleaning business. She employs maids to clean customers' houses. She charges customers \$10 per hour and pays her maids \$6 per hour. She estimates her weekly overheads to be \$400.

(a) (i) Explain the term 'weekly overheads'.

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 ..... [2]

(ii) Draw her total cost line on Fig. 1 below. [2]

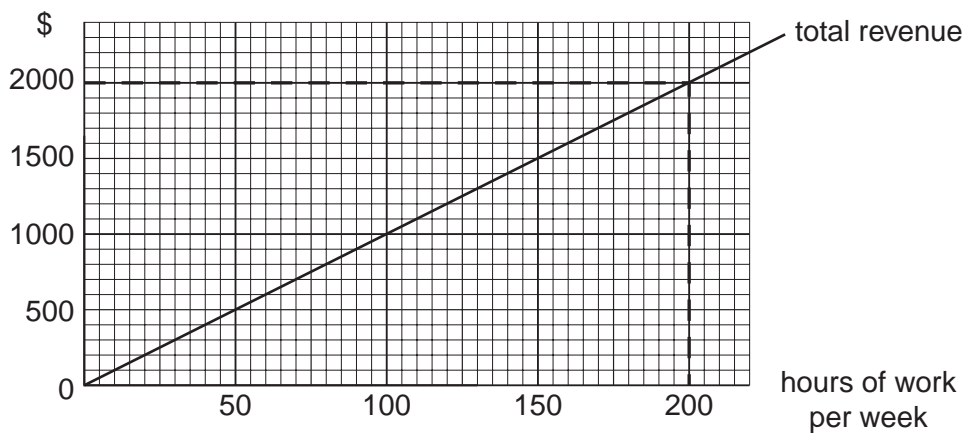


Fig. 1

(iii) Use the chart to calculate how many hours of work per week have to be done for the profits of the business to be \$200.

..... [2]

(b) (i) Explain **one** method that Sigrid could use to increase the number of customers for her business.

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(ii) Will an increase in the number of customers mean that the business will make more profit? Explain your answer.

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(c) Sigrid hopes that in the future she will be able to expand her business quickly. Identify and explain **three** problems she might face if she tries to expand her business quickly.

Problem 1: .....

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Problem 2: .....

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Problem 3: .....

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..... [6]

3 Sudhir Yadav lives in a city in country Z. The city has a big Indian population. When Sudhir was looking for a business opportunity he identified a niche market in selling saris and similar clothes to Indian ladies. He imports the clothes from country X and sells them to retailers in his city.

(a) Explain the term 'niche market'.

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

(b) Sudhir's business is that of a wholesaler. Why do you think that retailers in country Z don't buy their clothes directly from the suppliers?

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.....[4]

(c) If the currency of country Z appreciated in value how would this affect the profitability of Sudhir's business? Explain your answer.

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**(d) (i)** A recent report into working conditions in different countries suggested that Sudhir's suppliers paid very low wages to their employees. The report also stated that they employed child labour working long hours. Do you think that Sudhir should continue to buy from these firms? Justify your answer.

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**(ii)** The government in country Z is passing tougher consumer protection laws on materials used in clothing. How might this affect Sudhir's business in the future?

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[4]

4 Sunny has been General Manager of a business for a number of years. She has recently identified a business opportunity that would require a lot more capital. Her financial advisers recommend that she converts the business into a Public Limited Company.

(a) Discuss the consequences to this business of the possible change to a Public Limited Company.

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(b) Sunny would use any extra capital to invest in new technology. This should benefit the business by cutting costs and improving efficiency. Some managers have told her that new technology often causes problems.

(i) Why might new technology cut the costs of a business?

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(ii) Why might new technology cause problems for a business?

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(c) The government in Sunny's country has recently passed new laws concerning working conditions. These include Health and Safety at Work laws and a maximum number of hours that can be worked per week.

Do you think that employees always benefit from such laws? Justify your answer.

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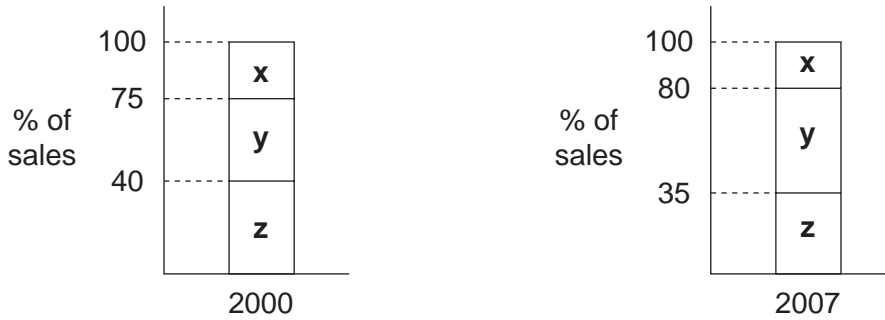


Fig. 2

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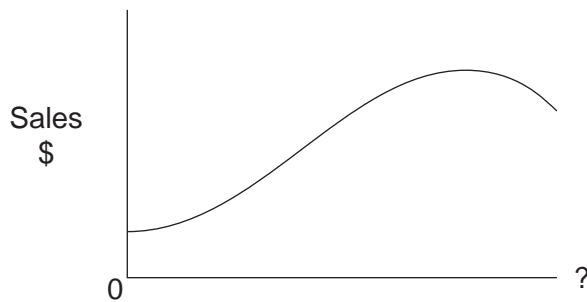
Benefit 2: .....

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..... [4]

(c) Recently sales of one of Aglahor Enterprises products (a coffee machine) have been falling. The pattern of sales is shown in the product life cycle shown in Fig. 3.



**Fig. 3**

(i) Label the horizontal axis on Fig. 3. [1]

(ii) How might Aglahor Enterprises try and extend the product life cycle of its coffee machines?

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..... [4]



(d) Explain **two** benefits to the management of Aglahor Enterprises of sales forecasts for their products.

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Benefit 1: .....  
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