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| Centre Number | Candidate Number | Name |
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CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

BUSINESS STUDIES

0450/01

Paper 1

October/November 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.

| For Examiner's Use | |
|--------------------|--|
| 1 | |
| 2 | |
| 3 | |
| 4 | |
| 5 | |
| Total | |

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.

1 The directors of Hussain Ltd. are considering converting the business into a Public Company.

(a) (i) Explain the term limited liability.

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(ii) Explain the term dividend.

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(iii) Identify and explain **one** feature of private limited companies that makes them different from public limited companies.

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(b) Shareholders invest in companies to make money. Explain why a public limited company's share price might **fall** over time.

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.....[3]

2 Table 1 gives some financial data for Company A.

Table 1

| | 2003 | 2002 |
|----------------------|------|------|
| Sales Turnover (\$m) | 90 | 80 |
| Capital (\$m) | 55 | 50 |
| Net Profit (\$m) | 8 | 10 |

(a) (i) Calculate the change in the net profit margin between these two years.

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(ii) Suggest **two** reasons that could explain this change.

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(iii) Calculate the return on capital in 2003.

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(iv) Explain what the return on capital ratio tells us about a company.

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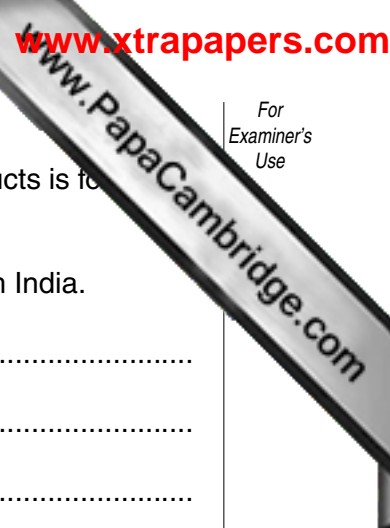
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5 A U.K. sports company sells a range of products. One of its best selling products is footballs. They are produced in India and imported into the U.K.

(a) (i) Explain the likely reasons why the U.K. company buys footballs from India.

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(ii) Identify and explain **two** problems that the U.K. company might have when importing its goods.

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