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Centre Number	Candidate Number	Name

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.

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.

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

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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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(c) Shareholders have a legal right to be informed about the performance of the co in which they hold shares.

State and explain **two** ways used by the management of a company to communicate with shareholders.

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(d) The management of a company is responsible to the shareholders. Should management have responsibilities to other groups in society? Explain your answer.

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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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(v) State and explain **two** other pieces of information that would help you d
2003 had been a successful year for Company A.

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(b) **(i)** Explain the term working capital.

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(ii) How can a business make a profit and yet have a cash flow problem?

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3 **(a)** "Good communications are important in running a successful business."
Explain **two** barriers to effective internal business communication.

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(b) The managing director of a company said recently "If wages increase our employees will definitely be better motivated". Do you agree?

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(c) A personnel department has decided to write a job description for each position business.

(i) Explain what is included in a job description.

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(ii) How might a job description help in the recruitment of new employees?

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(iii) The personnel manager also decided to introduce induction training for all new staff. What benefits might the **business** gain from such training?

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4 **(a)** Table 2 gives some data about the cost structure of Company B, a fashion manufacturer.

Table 2

Cost Data for Company B

Output per week (units)	100	200	300
Direct unit labour cost ($)	20	19	18
Direct unit material cost ($)	25	22	18
Weekly overheads ($)	2000	2000	2000

(i) Give an example of an overhead cost.

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(ii) As output increases, the unit labour cost falls and the unit material cost falls. Explain possible reasons for this.

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(iii) The company uses a cost plus method to determine the price that it charges for its products. It works out the unit total cost and adds on 75%.

Calculate the unit selling price if 300 units are produced each week.

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(iv) Is this cost plus pricing method always the best method to use? Expla answer.

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(b) Businesses use many methods to promote their products. State and explain **two** methods of promotion that could be used by this fashion clothing manufacturer.

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(c) Explain **one** factor that this manufacturer should consider in deciding on the best channel of distribution for its products.

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5 A U.K. sports company sells a range of products. One of its best selling products is fo
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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(b) Consumers in the U.K. have complained about the company's advertisement prices. Should governments pass laws to protect consumers? Use example illustrate your answer.

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(c) The management of Company C is buying new computers to modernise its stock control methods. Some of the workforce might be made redundant.

(i) What is meant by "to be made redundant"?

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(ii) In many countries employees can join a trade union to help protect their interests. Explain the advantages to an employee of joining a trade union.

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