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Centre Number	Candidate Number	Name

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

BUSINESS STUDIES **0450/02**

Paper 2

October/November 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.

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1	
2	
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Total	

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

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Desert Mining Ltd.

Desert Mining Ltd. operates two gold mines in Country B. The mines are in a farming region. Desert Mining Ltd. is the largest employer in the area with 1000 workers. Most of these work in the mines operating old equipment to extract the gold. Desert Mining Ltd. wants to introduce more machinery into its mines to reduce costs. There was trouble in the past amongst the mineworkers when there was discussion of introducing new equipment, as the workers were worried about their jobs.

Recently, large amounts of coal have been discovered in another area of the country. It is mainly desert and few people live there. There are no roads in the area, which is well known for its natural beauty and the rare wild animals that live there.

Desert Mining Ltd. wants to expand and open a third mine. It is considering opening either another gold mine or its first coal mine. Both gold and coal are sold on international markets in Europe and the USA.

Table 1

Table to show the differences between opening another gold mine or a coal mine for Desert Mining Ltd.

Estimated costs if the mine is opened	**Gold mine**	**Coal mine**
Cost of opening a mine	$1,000,000	$2,000,000
Machinery costs for the mine	$50,000	$100,000
Cost of building new roads to the mine	$500,000	$1,000,000
Labour costs in the area near to the mine	$6 per hour	$4 per hour
Number of workers to work in mine	500	400
Return on capital employed (estimate)	15%	20%
Training budget for mineworkers	$50 per worker	$60 per worker
Area of natural beauty	No	Yes
Labour supply in the area	Many workers	Few workers
Social costs if mine opens	Some social costs	Many social costs

The Operations Manager commented, ‘I have heard that Euro Mining plc, a European multinational company, wants to open a coal mine in Country B. This may be good for us if Euro Mining plc builds roads to the area where the coal has been found. Euro Mining plc has a good reputation for treating its workers well. This might make the Trade Unions in our mines demand better conditions. The Trade Unions are concerned about piece-rate that we currently use to pay our mineworkers. They are worried it might lead to safety problems and they want a salary to be introduced for all employees instead.’

There is also a growing environmental campaign to stop all mining in Country B. The Operations Manager said, ‘We need to make the benefits of mining clear to the Government.’

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1 **(a)** Identify and explain **two** possible reasons why the managers of Desert Mini might want to expand the business.

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(b) Outline **two** sources of finance Desert Mining Ltd. could use to finance its expansion.

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(c) Which method of finance would you advise Desert Mining Ltd. to use? Expla answer.

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2 **(a)** If several new coal mines open, what might happen to the price of coal on inter markets?

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(b) Refer to Table 1. What is meant by:

(i) Return on capital employed

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(ii) Training budget?

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(c) Using all of the information available, which type of mine would you advise Mining Ltd. to open? Justify your answer.

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3 **(a)** What is meant by:

(i) Social costs

(ii) Social benefits?

Include examples that might arise from the development of a new mine.

Social costs .....

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Social benefits .....

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(b) Should the Government in Country B control business activity? Give reasons f answer.

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4 **(a)** Desert Mining Ltd. will need to relocate some of its workers if it opens a mine remote region.

(i) List **three** ways in which this could be communicated to staff.

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(ii) Explain each of these **three** methods of communication and advise the business on the best one to use.

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(b) Explain how the introduction of new machinery could affect the workers in this co

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5 **(a)** The Government wants to know how the public feel about the multinational co setting up in their country.

Select **one** method of primary research to find out the public's opinions. Describe and give reasons for **how** they could carry it out.

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(b) Why do you think most of Desert Mining Ltd.'s workers belong to a Trade Union?

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(c) Do you think piece rate is the best way to pay mine workers? Justify your answe

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