# UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

## **BUSINESS STUDIES**

Paper 1



May/June 2006

1 hour 45 minutes

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

Candidate Name							
Centre Number				Candidate Number			

### **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.

Answer all questions.

The businesses described in this question paper are entirely fictitious.

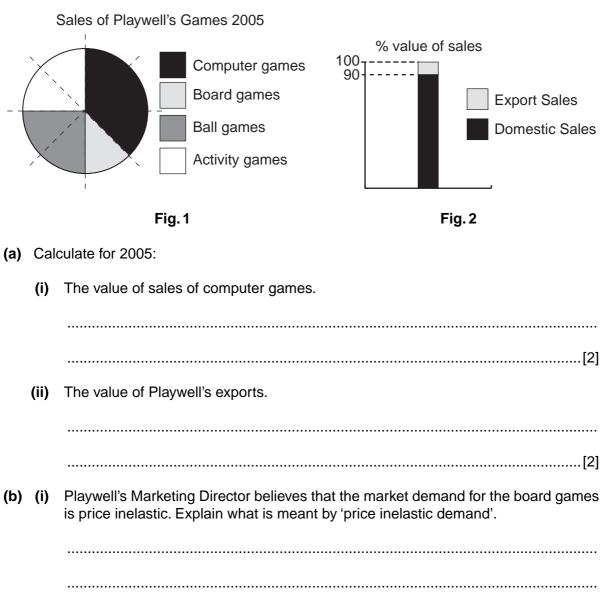
At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [ ] at the end of each question or part question.

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

1

www.PapaCambridge.com Playwell is a company that produces a range of games. The company's best selling p are computer games. For many years Playwell only sold games to the domestic marke they are now trying to export to other countries as well. However export sales have been sales disappointing. Figs. 1 and 2 show data about the company's sales in 2005 which were \$240m.



		3	
	(ii)	Explain how Playwell's pricing policy for board games might be influenced demand being price inelastic.	dulp.
			Tage
			[3]
(c)	incr	well's Board of Directors feel that good distribution channels are very important feasing company sales. How important do you think channels of distribution are feasing sales of Playwell's products?	
			[6]

(d)	Why might Playwell find it difficult to sell their games in other countries?	VaCanny.	
		Cambridge Co.	1
			3
			1
		[4]	

		May May 1	
		5	
gen	eral	a large company that sells a range of insurance policies to businesses a public. The market for insurance is very competitive and Mirex are always looking cut their costs. Recently they have invested heavily in new technology.	
(a)	(i)	a large company that sells a range of insurance policies to businesses a public. The market for insurance is very competitive and Mirex are always looking cut their costs. Recently they have invested heavily in new technology.  Mirex has been described as a large company. State <b>three</b> ways of measuring the size of a business.	e.com
		[3]	
	(ii)	What sector of business activity does Mirex operate in? Explain your answer.	
		[2]	
	(iii)	What is meant by a competitive market?	

		42	
		6	
(b)		lain how new technology such as office computers might cut the costs of combands of the costs of c	St.
			age
			OM
		[5]	
(c)		management of Mirex could consider the needs of all stakeholders when making isions.	
	(i)	Explain what is meant by a stakeholder.	
		[2]	

(ii)	Identify and explain the objectives of <b>two</b> stakeholder groups who management affected by Mirex's decisions.	Mr.
		ale
		OH
		, L
	[6]	

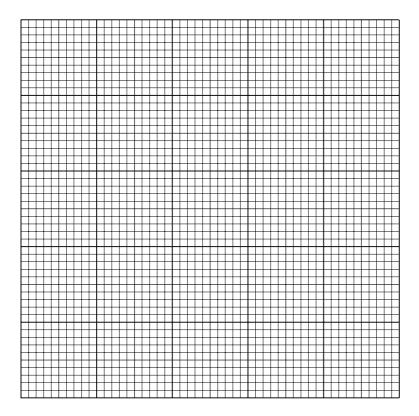
www.PapaCambridge.com Gino runs a take-away pizza business. He has estimated that he can produce as in 1000 pizzas per week although he is only selling 700 on average at present. Gino reco 3 looked again at his costs and prices. These are shown in Table 1.

Table 1

Direct cost per pizza	\$4
Weekly overheads	\$1800
Selling price per pizza	\$7

(a)	Giv	e an example of one of Gino's:	
	(i)	Direct costs	
	(ii)	Overhead costs	•••
		[	2]

(b) (i) Draw a breakeven chart to show Gino's weekly revenue and costs.



# WWW. PapaCambridge.com

# Calculate:

	(ii)	How many pizzas Gino has to sell to break even.
		[1]
	(iii)	Gino's <b>annual</b> profit when he sells 700 pizzas per week.
		[3]
(c)	Gind	o invested \$100000 in his business when he set it up.
	Usir	ng your profit figure from (b)(iii) calculate the return on capital employed.
		[2]

	the state of the s	
	10	
(d)	Gino's business is currently profitable. He thought that this meant it would be profit the next few years as well. What do you think?	t.
		Tage C
		NA STATE
	[6]	

	11
•	F. is a major electronics manufacturer. It has recently built a new factory in confactory employs a large number of workers and uses flow production method emble the products. All the workers were recruited locally. The management believe the very important for the workers to be motivated and for productivity to be high.  Why do you think that B.M.F. uses 'flow production methods'?
	Why do you think that B.M.F. uses 'flow production methods'?
	[4]
	Explain <b>two</b> methods that the management of B.M.F. could use to motivate their employees.

)	Why is high productivity important to the management of B.M.F.?	175
		Tidde
		d
		`
	[4]	
	The government of country Y gave B.M.F. financial help to set up in their country. Not everyone in the country was pleased to see the factory built. Some pointed out that there would be social costs produced by the factory. Explain what these social costs might be.	
	ZAPIGIT WHAT THOSE COOKS THIS IT SO	

- www.PapaCambridge.com 5 Easy Chairs is a private limited company that manufactures furniture. The busine recently had financial problems. The management thought that these had been call largely by an economic recession. Important decisions needed to be made to solve the problems. The management are thinking about making employees redundant. The Human Resources Director has had talks with trade union leaders and three options were discussed:
  - 100 workers to be made redundant
  - Wages of all workers to be cut by \$50 per week but no redundancies
  - Working just 3 days a week, so earnings are less, but no redundancies.

(a) (i)	Explain what is meant by an economic recession.		
	[2]		
(ii)	Why might an economic recession have caused financial problems for Easy Chairs?		
	[4]		

	Assume you are a trade union leader at Easy Chairs. Explain to your members option you would recommend they accept. Support your recommendation with reas	
	April 200	
(b)	Assume you are a trade union leader at Easy Chairs. Explain to your members option you would recommend they accept. Support your recommendation with reas	Mr.
		age C
		177
		L
	[6]	
(c)	Identify and explain <b>one</b> possible solution to the financial problem at Easy Chairs other than reducing labour costs.	
	[4]	

	May	
	15	
(d)	Recently Easy Chairs received a complaint from a customer that one of their chanot meet the minimum standards required by consumer protection laws. management ignored the complaint and said that the customer must be mistaken. Do you think that this is the way the management should have reacted? Justify your answer.	Abridge Com
	141	

16

## **BLANK PAGE**

www.PapaCambridge.com

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.