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

## **BUSINESS STUDIES**

Paper 1



October/November 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.

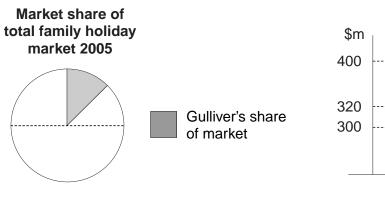
The businesses described in this question paper are entirely fictitious.

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	
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Total	

www.PapaCambridge.com 1 Gulliver Travel sells family holidays. Gulliver researched the market and discovered the families wanted was good value for money when buying their holidays. Gulliver's Mana, Director told other directors that 'there are a lot of companies selling holidays so it is ve important that we give the customer exactly what they want'. Figures 1 and 2 give data regarding the family holiday market.



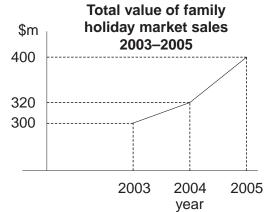


Figure 1 Figure 2

(a)	(i)	Calculate the value of Gulliver Travel's sales in 2005.
		[2]
	(ii)	Using Figure 2 calculate the % growth in the total value of family holiday market sales between 2003 and 2005.
		[2]
(b)	Ехр	lain why the demand for Gulliver's sales of family holidays is likely to be price elastic.
		[4]

		www.	
		3	1
		could one element of the marketing mix, other than price, be used to inver's sales of holidays?	Mo
(		[4]	
		iver researched the market by giving a questionnaire to families at the end of their days.	
(	(i)	Explain why the business might have used this method of gathering data.	
	::\	Explain and reason why the data gethered might not be accurate.	
•	11)	Explain one reason why the data gathered might not be accurate.	

www.PapaCambridge.com Giovanni had been to see his bank manager to talk about ways of financing the grown business. He wanted to open five new shops selling electrical goods such as televisions radio equipment. The bank manager told him that he must think very carefully about the capital needs of this expansion which would involve both fixed and current assets. The bank manager told Giovanni that he would need to see the accounts of the business including a cash flow forecast before the bank could increase its lending.

(a) (I)	Explain what is meant by a fixed asset.
	[2]
(ii)	Give an example of a current asset that Giovanni's business would own.
	[1]
(iii)	What is meant by a cash flow forecast?
	[2]
(b) (i)	Explain <b>two</b> reasons why the bank manager would want to see the accounts of the business before increasing the bank's lending to Giovanni.
	[4]

fina 	cline the factors Giovanni should consider before deciding which methods ance would be best suited for this expansion.
••••	
	[5]
	Table 1
	Extract from Giovanni's Balance Sheet as at 1 November 2006
	\$000's Stock 50 Debtors 60 Cash 0
	Overdraft 80 Creditors 40
<b>)</b> Cal	culate the current ratio for the business from the information given in Table 1.
	[2]
<b>)</b> Is tl	ne liquidity position of Giovanni's business good? Explain your answer.

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	6 AM, Day	
The	directors of Philochem are thinking about building a chemical factory in country	2
(a)	directors of Philochem are thinking about building a chemical factory in country and explain three factors the directors need to consider in making this location.	THE
		.
	[6]	]
(b)	Using examples show why a knowledge of health and safety laws in country Z would be important for the management of this business.	÷
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mical companies (A and B) in Europe between 2000 and 2005.  Average Ann	nual
Figure 3  Which company raised its wages by the greatest amount between 2000 and 20 Explain your answer.	
Using Figure 3 explain why different companies increase their wage rates over to by different amounts.	
	Tre 3 shows data relating to the rates of pay in Philochem (P) and two other lamical companies (A and B) in Europe between 2000 and 2005.  Average Ann Wage Rate 2 23,000 \$ 19,500 11,000 10,000 Figure 3  Which company raised its wages by the greatest amount between 2000 and 200 Explain your answer.  Using Figure 3 explain why different companies increase their wage rates over the strength of the pay in Philochem (P) and two other lamical companies increase their wage rates over the microal strength of the pay in Philochem (P) and two other lamical companies increase their wage rates over the microal strength of the pay in Philochem (P) and two other lamical companies increase their wage rates over the microal strength of the pay in Philochem (P) and two other lamical companies increase their wage rates over the microal strength of the pay in Philochem (P) and two other lamical companies increase their wage rates over the microal strength of the pay in Philochem (P) and two other lamical companies increase their wage rates over the microal strength of the pay in Philochem (P) and two other lamical companies increase their wage rates over the microal strength of the pay in Philochem (P) and two other lamical companies in Philochem (P) and two ot

www.PapaCambridge.com 4 Gurinder Singh set up his successful business ten years ago. Gurinder makes decisions in his business. He tells staff what to do and he expects them to follow his ord Gurinder doesn't hold meetings as he feels that they are unnecessary and a waste of time 'Why consult and discuss when I know best,' he said. 'Everyone who is employed in my company is directly answerable to me. I pay high wages and I expect results. Everyone knows that if they don't work hard I will dismiss them. Employees like my wages even if they don't like me!'

(a)

(i)	Describe the management style used by Gurinder.
	[3]
(ii)	Do you think that this is a good way to manage a business? Justify your answer.
	[6]

www.PapaCambridge.com (b) It has been suggested to Gurinder that he might introduce delegation into his but Explain what is meant by delegation. (c) Recently Gurinder dismissed an employee for failing to carry out his orders. Is this an example of an employee being made redundant? Explain your answer. (ii) To what extent do you think high wages motivate staff in companies such as Gurinder's?

terprises is a large private sector business that owns a number of farms in consistences breeds a variety of animals such as cows and sheep as well as growing of employ many workers and the business is successful and profitable.  If y is profit important to a business such as J.T. Enterprises?  If y is profit important to a business such as J.T. Enterprises?  If y is profit important to a business such as J.T. Enterprises?  If y is profit important to a business such as J.T. Enterprises?  If y is profit important to a business such as J.T. Enterprises explain what is meant by added value.  If y is profit important to a business such as J.T. Enterprises explain what is meant by added value.	10	2
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