

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

CANDIDATE NUMBER		



BUSINESS STUDIES

0450/02

Paper 2

CANDIDATE NAME

CENTRE NUMBER

October/November 2007

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.

Do not use staples, paper clips, highlighters, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer all questions.

The business described in this question paper is 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 Examiner's Use		
1		
2		
3		
4		
5		
Total		

This document consists of 13 printed pages and 3 blank pages.



Newspapers Plus

www.papaCambridge.com Newspapers Plus (NP) is a large multinational company that publishes newspapers and magaseveral different countries. It is a public limited company and makes high profits for its sharehold NP wants to start operating in Country X to publish a new magazine. The management intend to built new printing factory in Country X to print the new magazine. The printing factory could also be used to produce newspapers if NP decides to expand into the newspaper market in Country X.

Factory workers could be recruited in Country X. There are no trained printing workers in Country X but wages are low. Trained printing workers could be transferred from NP factories in other countries. This would be expensive and they would not know the language.

Country X has a population of 10 million people and 80% of the population live in towns and cities. There are 6 national newspapers in Country X and many local newspapers. Most of the magazines on sale in Country X are imported. The most popular one being 'The Healthy Woman' published monthly. Because these magazines are imported, these magazines do not contain articles about Country X, its shops or its products. Only imported products are advertised or written about in the magazines.

The management of NP has three main ideas for the new magazine. A final decision has still to be made. The new magazine is to be aimed at women but different age groups could be targeted which would mean different types of articles could be included. The three ideas are outlined in Appendix 1.

Appendix 1

Idea	Age group targeted	Estimated circulation of the	Estimated revenue per	Production cost per magazine
	J 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	magazine	month	1 - 19
Health Magazine - monthly	16 - 25	100,000	\$500,000	\$2
Fashion Magazine - monthly	18 - 30	200,000	\$800,000	\$1
Fashion and Beauty Magazine - monthly	21 - 45	150,000	\$1,000,000	\$3

Appendix 2

Memorandum

To: Managing Director of NP From: Marketing Manager of NP

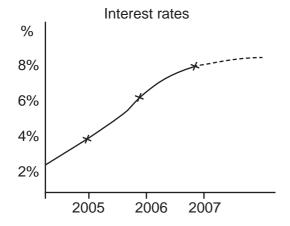
Date: 13 October 2007 Re: Advertising Revenue

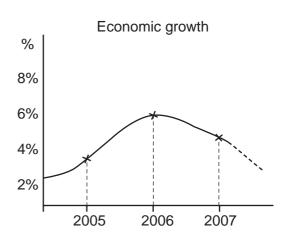
Several beauty product companies have indicated that they would like to advertise in our new magazine in Country X. We asked them which age group mainly buy their products and the answer was 16-30 years. We estimate that the magazine advertising revenue will increase by approximately \$60,000 for each 100,000 copies sold. The more sales we make the more advertising revenue we will receive.

Fashion shops which sell expensive designer clothes are willing to pay \$100,000 for advertisements in the magazine for each 100,000 copies sold. The age group which tends to buy these types of clothes is 30-45 years.

We need to take this data into account when deciding on the style and articles for our new magazine.

Appendix 3 Government Economic Data for Country X





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www.PapaCambridge.com (a) Explain two advantages to NP of being a multinational company. Advantage 1: Advantage 2: [8]

Do you think the Governm printing factory? Explain you	ir answer.	A Snoula enco	urage NP to op	en the Adda Conne	8
					Top
				······································	i.
	•••••				
	•••••				

www.PapaCambridge.com (a) How do you think NP researched the market to estimate the number of copies be sold of each type of magazine?

С	Advise NP on which one of the three magazines to publish. Use the information case and appendices 1 and 2 to support your answer.
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	8	For
(a)	Refer to Appendix 3. Do you think this is a good time to launch a new maga. Country X?	Use
		OGe .
		6
	[8]	

	May
	9
(i)	The Marketing Manager will need to decide on a pricing strategy for the magazine. Describe three suitable pricing strategies the company might use. Strategy 1:
	Strategy 1:
	Strategy 2:
	Strategy 3:
	[9]
(ii)	Which one of these three strategies would you recommend for NP to use for the new magazine and why ?

www.PapaCambridge.com (a) NP will need to raise \$4m to set up a new printing factory to publish the ma Analyse three methods of finance they could use. Method 1: Method 2: Method 3:[8]

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	11 A. D.
(b)	NP will need to recruit employees to work in the new printing factory. Discuss they should recruit people living in Country X or transfer workers from their factors other countries.

	4
	12
(a)	NP will use flow production in its new printing factory. Outline two benefits of us method of production. Benefit 1:
	Benefit 1:
	Benefit 2:
	[8]

(b)	Advise NP on what factors will be most important when deciding where in Counlocate the new printing factory.				
	[12]				

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