

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

CANDIDATE NAME					
CENTRE NUMBER			CANDIDATE NUMBER		



BUSINESS STUDIES

Paper 1 October/November 2012

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 businesses described in this 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.

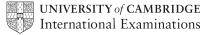
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1 hour 45 minutes

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Durban Dragons is a big football club. Recently fewer people have been watching its matches and ticket revenue is falling. Some people say that ticket prices for matches are too high and should be reduced. The club has high fixed costs and needs to improve its cash flow. The club directors have been trying to gain sponsorship and a number of businesses are very interested.

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(a)	What is meant by 'cash flow'?
	[2]
(b)	Give two examples of fixed costs that a business like a football club would incur.
	Example 1:
	Example 2: [2]
(c)	Identify and explain two ways the cash flow of Durban Dragons could be improved.
	Way 1:
	Explanation:
	Way 2:
	Explanation:
	[4]

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like Durban Dragons.	Exai
Reason 1:	
Explanation:	
Reason 2:	
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	[6]
Do you think if Durban Dragons reduce ticket prices for matches this will revenue? Justify your answer.	
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Maı	esham Textiles manufactures high quality clothing. Production is labour intensive. nagers are paid more than production line workers in the factory. The business is investing automated machinery. The management also wants to introduce lean production methods.
(a)	What is meant by 'labour intensive'?
	[2]
(b)	Identify two suitable sources of finance that Gresham Textiles could use to finance the investment in automated machinery.
	Source 1:
	Source 2:[2]
(c)	Identify and explain two reasons why factory managers are paid more than production line workers at Gresham Textiles.
	Reason 1:
	Explanation:
	Reason 2:
	Explanation:
	[4]

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dentify and explain two ways lean production methods could reduce costs in	Title lactory.
Vay 1:	
Explanation:	
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Do you think that a change to automated methods of production wo	[6] ould benefit
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3 Table 1 shows the Balance Sheet for company D at the end of 2010 and 2011.

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Table 1: Company D Balance Sheet [\$m]

	201	10	2011		
Fixed Assets		500		600	
Current Assets	600		650		
Current Liabilities	450		550		
Net Assets		650		700	
Long-term Liabilities	350		350		
Shareholders' Funds	300		350		
Capital Employed		650		700	

The accounts also showed that the net profit of company D was \$80m in 2010 and \$120m in 2011.

(a)	What is meant by 'capital employed'?
	[2]
(b)	Calculate company D's current ratio in 2011.
	[2]
(c)	The directors are planning further expansion of the company. Identify and explain two benefits to company D of raising finance by selling more shares.
	Benefit 1:
	Explanation:
	Benefit 2:
	Explanation:
	[4]

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(d)	Identify and explain a reason why the following stakeholders would be interested in using company D's accounts.	For Examiner's Use
	Creditors' reason:	
	Forderedien	
	Explanation:	
	Employees' reason:	
	Explanation:	
	Shareholders' reason:	
	Explanation: [6]	
(e)	Do you think the performance of company D in 2011 has improved? Justify your conclusion using the data provided.	

Jergen Cosmetics makes a range of beauty products for women in country A. 'We are a

market orientated company' said Klaus, the Managing Director. 'One of our business objectives is to increase sales turnover. We have just set up our own website and increased our marketing budget. Our country's economic growth is forecast to be 4% next year and this will guarantee our company's profitability.' (a) What is meant by 'market orientated company'?[2] **(b)** What is meant by 'Managing Director'?[2] (c) Identify and explain two benefits to Jergen Cosmetics of setting business objectives. Benefit 1: Explanation:

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Benefit 1:						
Explanation:						
Benefit 2:						
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 Do you think	that econor	mic growth ir	n country A ver.			
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Greenfield manufactures furniture. The company imports wood and other raw materials

con has	n several countries. Marcos is the Managing Director of Greenfield. Marcos said that his apany was affected by import quotas and changes in exchange rates. He said: 'Greenfield to buy its raw materials from other countries as there are no timber (wood) resources in own country.'
(a)	What is meant by 'import quota'?
	[2]
(b)	Identify two ways that Greenfield's business might harm the environment.
	Way 1:
	Way 2:
	[2]
(c)	Identify and explain two ways in which changes in exchange rates could cause problems for Greenfield.
	Way 1:
	Explanation:
	Way 2:
	Explanation:
	[4]

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/ay 1:	
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'ay 2:	
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