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## 0450/11

October/November 2009

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

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.**

The businesses described in this question paper are entirely fictitious.

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

For Examiner's Use	
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	
<b>Total</b>	

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UNIVERSITY of CAMBRIDGE  
International Examinations

**[Turn over**

- 1 Joel owns a business that specialises in decorating offices. In 2008 Joel's business carried out a contract to redecorate the offices of Yinvesco. The work took three months to complete. Yinvesco then took a further two months to pay the account and deducted 15% because they said that not all the work had been completed satisfactorily. Joel was very unhappy about this because the contract only had a small profit margin. "I base my price on full costs including overheads and add on 10%" he said.

(a) Identify the pricing method used by Joel's business.

..... [2]

(b) Explain what is meant by 'a small profit margin'.

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 .....  
 .....  
 ..... [2]

(c) Explain **two** reasons why Joel's business might have experienced cash flow problems when carrying out the Yinvesco contract.

Reason 1: .....  
 .....  
 .....  
 .....

Reason 2: .....  
 .....  
 .....  
 ..... [4]

Joel is thinking of changing his supplier of paint.

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- (d)** Identify **three** factors Joel should consider when choosing a paint supplier and explain why each factor is important.

Factor 1: .....

Explanation: .....

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Factor 2: .....

Explanation: .....

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Factor 3: .....

Explanation: .....

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..... [6]

- (e)** Do you think that Joel should use a different pricing method for his business? Justify your answer.

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- 2 Table 1 shows the Balance Sheet for Ulwar, a public limited company.

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**Table 1: Balance Sheet Ulwar as at 30 September 2009**

	\$ m
Fixed assets	80
Current assets	20
Current liabilities	12
Net current assets	8
Net assets	88
Financed by	
Shareholders funds	38
Long term liabilities	50
Capital employed	88

In 2008 Ulwar made a profit of \$8m and in 2009 the company made a profit of \$10m.  
In 2008 the return on capital employed by the business was 10%.

- (a) Identify an example of:

A current liability .....

A long term liability ..... [2]

- (b) Calculate the return on capital employed (ROCE) of Ulwar in 2009.

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..... [2]

- (c) Explain why the amount of long term liabilities on Ulwar's Balance Sheet might be of concern to its bank.

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..... [4]

The management of Ulwar is thinking of raising extra capital by issuing more shares.

- (d) Identify and explain **three** factors the company should consider before making this decision.

Factor 1: .....

Explanation: .....

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Factor 2: .....

Explanation: .....

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Factor 3: .....

Explanation: .....

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..... [6]

- (e) Referring to the measures of business success, such as ROCE, do you think Ulwar had a successful year in 2009? Justify your answer.

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- 3 Reo is the manager of a computer business. The company repairs computers and designs software for businesses. Reo pays his employees by piece rates but the workers do not like this method. Reo believes that the best way to manage and motivate his employees is by being an autocratic manager.

(a) What is meant by 'piece rates'?

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..... [2]

(b) What is meant by an 'autocratic manager'?

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..... [2]

(c) Explain **two** possible reasons why Reo's employees do not like being paid by piece rates.

Reason 1: .....

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Reason 2: .....

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..... [4]

Reo is thinking of introducing new training for his employees.

For  
Examiner's  
Use

- (d) Identify and explain **three** factors that Reo should consider before taking a decision about new training.

Factor 1: .....

Explanation: .....

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Factor 2: .....

Explanation: .....

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Factor 3: .....

Explanation: .....

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..... [6]

- (e) Recommend how Reo can improve the motivation level of his employees. Justify your answer.

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- 4 Isaiah had been to college to study business. His tutors told him that added value was very important if a business was to be successful and profitable. Table 2 shows a task given to Isaiah by his tutors.

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**Table 2: The concept of added value**

Type of Business	Raw Material	Process of Added Value	End Product or Service
Petrol Supplier	<i>Oil</i>	<i>Oil Refining</i>	<i>Petrol</i>
Restaurant			<i>Meal</i>

- (a) Complete Table 2 above by **filling in** the **two** gaps for the restaurant business. [2]

- (b) What is meant by 'added value?'

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..... [2]

Isaiah is about to set up a business manufacturing fashionable sports clothes.

- (c) Identify and explain the importance of **two** factors that Isaiah should consider in deciding on the location of his business.

Factor 1: .....

Explanation: .....

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Factor 2: .....

Explanation: .....

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..... [4]



- (d) Identify and explain **three** methods that Isaiah could use in marketing his new business to potential customers.

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Use*

Method 1: .....

Explanation: .....

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Method 2: .....

Explanation: .....

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Method 3: .....

Explanation: .....

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..... [6]

- (e) Do you think that if Isaiah adds value then his business will be successful and profitable? Justify your answer.

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- 5 The government of country W is concerned about the level of imports. Local pressure groups have been asking for import restrictions to be introduced. Other groups want the exchange rate of country W to fall (depreciate).

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Use

- (a) Identify **two** methods that could be used to restrict imports into country W.

Method 1: .....

Method 2: ..... [2]

- (b) What is meant by 'an exchange rate fall'?

.....  
 .....  
 .....  
 ..... [2]

- (c) Identify and explain **two** reasons why consumers might be disadvantaged by the introduction of import restrictions.

Reason 1: .....

Explanation: .....

.....  
 .....

Reason 2: .....

Explanation: .....

.....  
 ..... [4]

The 'structure' of an economy refers to the relative importance of the primary, secondary and tertiary sectors.

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Use*

- (d) Identify **three** major changes that have occurred in the structure of your country's economy in recent years and explain why these changes have happened.

Change 1: .....

Explanation: .....

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Change 2: .....

Explanation: .....

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Change 3: .....

Explanation: .....

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..... [6]

- (e) Do you think that a fall in the exchange rate of country W will help businesses in that country? Justify your answer.

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