

Cambridge IGCSE™

CANDIDATE
NAME

Business Studies

Part 1: Short Answer and Date Response

Part 2: Case Study (Insert enclosed)

You must answer on the question paper

1 hour 30 minutes

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 80.
- The number of marks for each question or part question is shown in brackets [].

Part 1

Short Answer and Data Response

- 1 LCT manufactures cooking pots. It has 16 employees. As a small business LCT uses social media as its method of advertising. The owner, Carole, knows having a good brand image is important. She is analysing LCT's break-even chart. This is shown in Fig. 1.1. Carole is considering possible ways to lower LCT's break-even level of output.

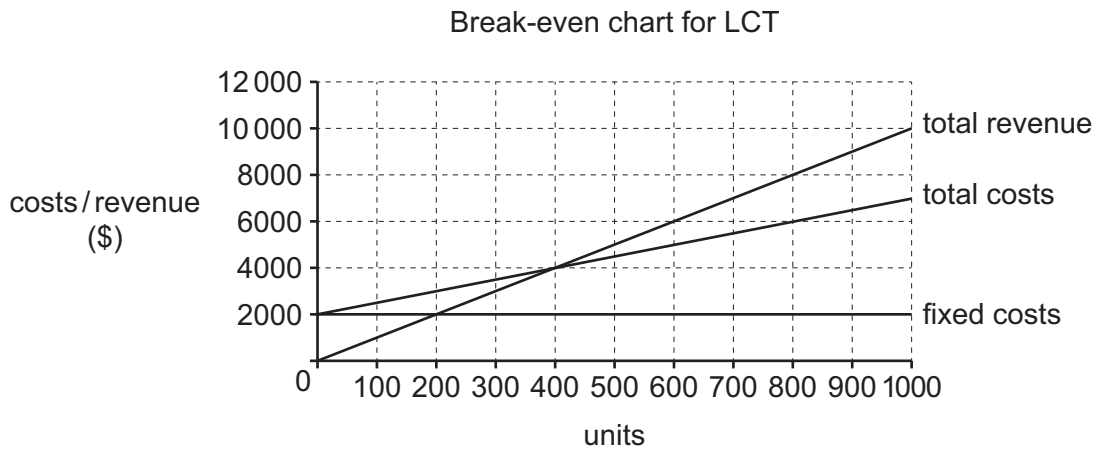


Fig. 1.1

- (a) Identify **two** limitations of break-even analysis.

Limitation 1:

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Limitation 2:

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[2]

- (b) Calculate LCT's profit if it sells 800 units. Show your working.

Working:

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Final answer:

[2]

(c) Outline **two** possible benefits to LCT of having a good brand image.

Benefit 1:
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Benefit 2:
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[4]

(d) Explain **two** ways LCT might lower its break-even level of output.

Way 1:
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Explanation:
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Way 2:
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Explanation:
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[6]

(e) Do you think social media is the best method of advertising for a small business to use? Justify your answer.

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[6]

- 2 NPZ is a pizza restaurant. It has 35 part-time employees. The owner, Trent, is interested in different methods to improve motivation as he thinks having well-motivated employees is important. Trent is analysing NPZ's financial statements. An extract is shown in Table 2.1. Trent is also considering ways to increase NPZ's profit.

Table 2.1

Extract from NPZ's financial statements 2022 \$000s	
Revenue	600
Gross profit	240
Profit for the year	60
Current liabilities	75
Capital employed	300

- (a) Define 'current liabilities'.

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 [2]

- (b) Calculate NPZ's return on capital employed (ROCE). Show your working.

Working:

 Final answer: [2]

(c) Outline **two** possible benefits to NPZ of having well-motivated employees.

Benefit 1:
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Benefit 2:
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[4]

(d) Explain **two** methods NPZ could use to improve employee motivation.

Method 1:
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Explanation:
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Method 2:
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Explanation:
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[6]

(e) Do you think reducing variable costs is the best way for a business to improve profit? Justify your answer.

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[6]

- 3 Paolo wants to start up a business making cakes. He plans to sell all of his products to a wholesaler. Paolo knows the packaging for his products will be important. He has prepared some financial and sales data. An extract from this data is shown in Table 3.1. Paolo is considering using crowdfunding as a source of finance. He knows the business will also need working capital.

Table 3.1

Extract from Paolo's financial and sales data	
Average price per cake	\$6
Average cost per cake	\$4
Forecast average number of cake sales per day	50

- (a) Define 'working capital'.

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[2]

- (b) Calculate the average revenue per day. Show your working.

Working:

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Final answer:

[2]

- (c) Outline **two** reasons why packaging will be important for Paolo's business.

Reason 1:

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Reason 2:

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[4]

(d) Explain **one** advantage and **one** disadvantage to Paolo's business of using crowdfunding as a source of finance.

Advantage:

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Explanation:

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Disadvantage:

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Explanation:

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[6]

(e) Do you think selling to a wholesaler is the best channel of distribution for a start-up business to use? Justify your answer.

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[6]

Part 2

Case Study (Insert below)

Sports Safety Equipment (SSE)

SSE manufactures sports safety equipment in country Z. It is a public limited company which has been successful for over 30 years. The main product SSE manufactures is safety helmets for different sports, such as bicycle riding, cricket and skateboarding. SSE has one large factory making the safety helmets. The factory uses flow production. The production workers each specialise in one task on the production line. SSE's raw materials are imported.

SSE sells its helmets in several other countries and is planning to expand into many more. It will need to carry out market research before entering new markets in other countries. Each country has different sports that are popular and the style of helmets varies from country to country.

SSE plans to build its own factories in its most important markets in other countries and will need to choose a suitable source of finance. The Human Resources Director has decided to use internal recruitment for the managers of the new factories. There will need to be effective communication between the managers of the new factories and SSE's head office in country Z.

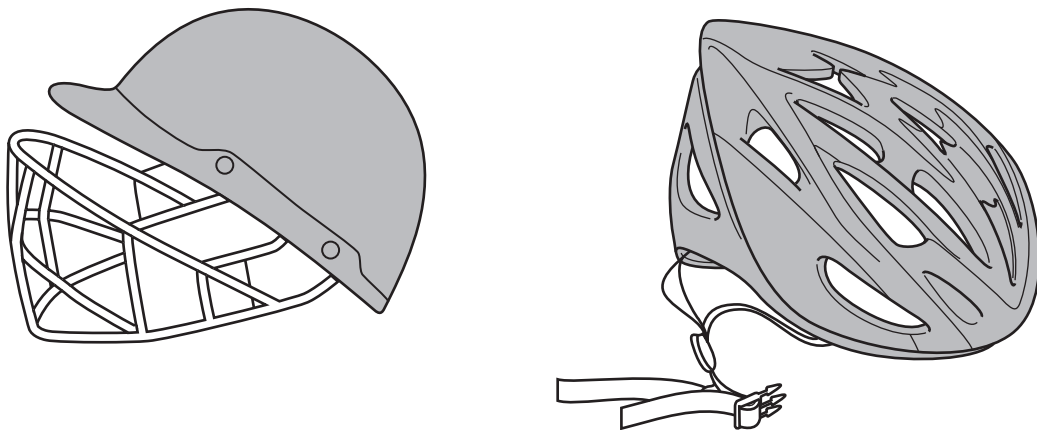
Most of SSE's sales in country Z are through sports equipment shops. Customers like to try on the helmets to check they fit correctly. SSE currently sells its helmets in other countries through its website.

SSE is also increasing its product range. The latest new product being developed is a children's cricket helmet.

Appendix 1

Extract from SSE's website

If you want the best protection when playing sport then buy an SSE safety helmet!



We supply a wide range of safety helmets for you when playing sport.

Whatever the sport - SSE produces a helmet for you.

You can order directly from this website by entering your head measurements below.

Get the perfect fit for you!

(a) Explain **one** advantage and **one** disadvantage to SSE of using internal recruitment for its new managers.

Advantage:

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Explanation:

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Disadvantage:

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Explanation:

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(b) Consider the advantages and disadvantages of the following **two** methods of market research SSE could use when entering new markets in other countries. Which method of market research should SSE use? Justify your answer.

- Primary market research
- Secondary market research

Primary market research:

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Secondary market research:

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Recommendation:

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