

Candidate Name \_\_\_\_\_

Centre Number	Candidate Number

**International General Certificate of Secondary Education**  
**CAMBRIDGE INTERNATIONAL EXAMINATIONS**  
**BUSINESS STUDIES**  
PAPER 4 Alternative to Coursework

**0450/4**

**MAY/JUNE SESSION 2002**

1 hour 45 minutes

Candidates answer on the question paper.

Additional materials:

Compass	Electronic calculator
Graph paper	Pencils
Protractor	Ruler

**TIME** 1 hour 45 minutes

**INSTRUCTIONS TO CANDIDATES**

Write your name, Centre number and candidate number in the spaces at the top of this page and on any separate answer paper used.

Answer **all** questions.

Write your answers in the spaces provided on the question paper.

You may use the graph paper provided for the drawing of graphs, pie charts, etc. in answer to any of the questions. Write your name, Centre number, candidate number and the number of the question at the head of the graph paper.

At the end of the examination, fasten any separate answer paper and graph paper (if used) securely to the question paper.

**INFORMATION FOR CANDIDATES**

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

The business described in this case study is entirely fictitious.

Pages 3 to 5 contain information for your use. These pages may be detached for easy reference. You do not need to return these pages with the question paper.

You are advised to spend at least 45 minutes in preparing and writing the report required in Section B.

FOR EXAMINER'S USE	
1	
2	
3	
<b>TOTAL</b>	

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**This question paper consists of 10 printed pages, 4 lined pages and 2 blank pages.**





**Mustafa Ali: Which form of business organisation should he choose?**

Mustafa Ali is a sole trader and has been in business for 10 years. The business makes and sells washing liquid for washing clothes. The business sells its products to wholesalers.

Mustafa employs 10 people in the factory (5 of the employees are part-time) and 2 people in his office. He built up the business by putting in his own money and reinvesting the profits. However, Mustafa is worried about the risks he is taking with the business.

Mustafa has developed a new washing liquid which is much better at cleaning clothes than his original washing liquid. He thinks there is a very large potential market for this new product but is uncertain of how to develop it and expand the business. The new product is better than many of the leading brands on sale in the country. The business will need a new factory costing \$500,000 and an additional \$50,000 of finance to pay for the expansion of production.

You have been asked by Mustafa to investigate the possible ways he could expand the business in order to develop the new product. Write a report for Mustafa recommending a solution to the problem.

### M e m o r a n d u m

To: Mustafa Ali  
 From: Business Consultant  
 Date: 25 May 2002  
 Re: Ways to expand your business

I have carefully considered your situation and the alternative ways you can expand your business to develop the new product and build the new factory. You could remain as a sole trader and put in your own capital for the expansion. There are a number of other ways you might like to consider:

- franchise;
- joint venture with another manufacturer;
- changing to different forms of legal structure e.g. partnership, private limited company, public limited company, cooperative.

Contact me to discuss the advantages and disadvantages of each of these options.

**Fig. 1**

	1 Town Street New City 0185 3485  e-mail: ma2233@hotmail.com  31 May 2002
Ali Sole Traders 32 Main Road New City	
Dear Mr Ali  I hear from my father that you are going to expand your business in the near future. He says you have developed a new washing liquid and you need another \$500,000 to start to produce the new product. My father thinks it will be a great success and suggested that I write to you to see if you are interested in taking on a partner.  I would be interested in being a partner. I also have two friends who would be interested in being sleeping partners too. Let me know if you would like to discuss this further.  Yours sincerely  Godfrey Richards	

**Fig. 2**

## Thinking of expanding?

An increasing number of sole traders are converting to limited company status. A comment from one sole trader who had converted into a limited company was that there were just too many advantages of this type of business organisation for her to remain a sole trader.

Converting into a limited company has been made easier by businesses that

will fill in all the paperwork for you. For a fee of just \$500 these businesses will complete all the legal documentation. They will write your Memorandum of Association, Articles of Association, register your company and finally send your Certificate of Incorporation so that you can start trading.

**Fig. 3**

### Extract from Mustafa Ali's latest accounts May 2002

	\$
Last year's retained profits	30,000
Long term bank loans	50,000
Mustafa Ali's own capital in the business	200,000

**Fig. 4**



**Section A**

- 1 (a) Mustafa currently sells his product to wholesalers. Explain **two** other channels of distribution he could use.

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- (b) How could Mustafa stop someone else copying his new product?

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(c) Why might Mustafa decide **not** to expand his business?

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(d) (i) What information would Mustafa need to forecast his possible profits from developing his new product?

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**Section B**

- 3** Using all of the information available to you in this paper, write a report to Mustafa advising him on a possible solution to the problem of the best form of business organisation if he were to expand his business.

Your report should include:

- a brief summary of the problem;
- the advantages and disadvantages of different forms of business organisation, assuming Mustafa decides to expand;
- a conclusion comparing the alternative ways of solving the problem;
- your recommendation of the best solution to the problem, based upon your conclusion;
- reference to relevant business studies theory as and where appropriate.

**Marks will be awarded for using the correct format for a report.**

Your report must be clearly set out and you may include line graphs, bar charts, tables, etc. if these are appropriate.

Write your report on the pages which follow. You may ask for additional paper if you need this to complete the report. [50]

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A series of 30 horizontal dotted lines for writing.



A series of horizontal dotted lines for writing.