

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

BUSINESS STUDIES

Paper 1



0450/01

October/November 2005

1 hour 45 minutes

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

Candidate
Name

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Centre
Number

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Candidate
Number

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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 in the spaces provided on the Question Paper.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

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.
The businesses described in this question paper are entirely fictitious.

DO NOT WRITE IN THE BARCODE.

DO NOT WRITE IN THE GREY AREAS BETWEEN THE PAGES.

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.

Stick your personal label here, if provided.

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1	
2	
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Total	

This document consists of **15** printed pages and **1** blank page.



- 1 Omar owns and manages a small business making carpets. He knows that the market for carpets is very competitive. His business is not very profitable so he is thinking of changing some of his marketing policies. Fig. 1 shows the revenue that he gains from selling his main product.

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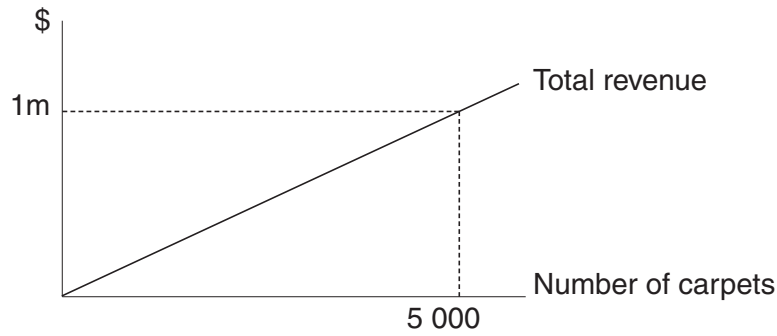


Fig. 1

- (a) (i) Calculate the price that Omar is charging for one carpet.

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..... [2]

- (ii) Plot the new revenue line if Omar raises his price by \$20.

[2]

- 3 The Lyons family set up their business over 50 years ago. Over time the business has changed and it is now a public limited company. Table 2 is a summary of their most recent Profit/Loss account.

Table 2

Profit/Loss Account
[year ending Oct. 2005]
Lyons

	\$000's
Sales	950
Cost of Sales	500
Gross Profit	450
Overhead Costs	?
Net Profit before tax	300
Tax	?
Net profit after Tax	220
Dividends	150
Retained profit	70

(a) Calculate

(i) Overhead costs;

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.....[1]

(ii) Tax.

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.....[1]

(b) (i) Explain what is meant by 'dividends'.

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.....[2]

(ii) Explain why retained profit is important to a business.

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(c) In 2004 the net profit margin ratio for Lyons was 16%

(i) Calculate the net profit margin ratio for Lyons in 2005.

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(ii) Explain **one** possible reason for the change in this ratio in 2005.

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The business became a public limited company in 1990.

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(d) How might this change have benefited the business?

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At the last Annual General Meeting in 2004 some shareholders said they were unhappy that the share price of the company had been falling.

(e) Why might the share price of a company fall?

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(ii) Why might a job description help when recruiting the secretary?

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(c) Tara is a specialist in employment law while Gowri is qualified in consumer protection law.

(i) Do you think that their different skills will help the partnership be successful? Explain your answer.

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(ii) Explain **two** problems that can occur in any business partnership.

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