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Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

1910087841

BUSINESS STUDIES **0450/21**

Paper 2 **October/November 2018**

1 hour 30 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name in the spaces at the top of this page.
Write in dark blue or black pen.
You may use an HB pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, glue or correction fluid.
DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.
The Insert contains the case study.
The businesses described in this question 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.

The total number of marks for this paper is 80.

This syllabus is approved for use in England, Wales and Northern Ireland as a Cambridge International Level 1/Level 2 Certificate.

This document consists of **9** printed pages and **3** blank pages.

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1 (a) Identify and explain **two** advantages and **two** disadvantages of GT being a public limited company.

Advantage 1: ....

....

Explanation: ....

....

Advantage 2: ....

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Explanation: ....

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Disadvantage 1: ....

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Explanation: ....

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Disadvantage 2: ....

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Explanation: ....

.... [8]

(b) Consider the advantages and disadvantages of the following **two** options for distributing GT products. Recommend the option GT should choose. Justify your answer.

Continue selling to large shops: ....

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Only sell its products using e-commerce: ....

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Recommendation: ....

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.... [12]

2 (a) Identify and explain **two** roles of the Operations manager at GT.

Role 1: ....

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Explanation 1: ....

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Role 2: ....

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Explanation 2: ....

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.... [8]

(b) Consider the following **three** ways GT can reduce the average cost of products. Recommend the best way to choose. Justify your answer.

Change to a cheaper supplier of raw materials: ....

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Change the design of products so that they need fewer components: ....

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Change from batch production to flow production: ....

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Recommendation: ....

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.... [12]

3 (a) Identify and explain **two** factors GT should consider when developing products for markets in different countries.

Factor 1: ....

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Explanation: ....

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Factor 2: ....

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Explanation: ....

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.... [8]

(b) Consider how the following **three** communication issues affect GT. Which **one** of these issues is likely to cause the biggest problem for GT? Justify your answer.

Different languages are spoken in GT's markets in other countries: ....

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GT is starting to use several new suppliers: ....

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GT's main communication method with its production workers is a weekly meeting: ......

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Conclusion: ....

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.... [12]

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READ THESE INSTRUCTIONS FIRST

This Insert contains the case study material.
Anything the candidate writes on this Insert will not be marked.

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[Turn over

Guardian Toys (GT)

GT is a public limited company. It was set up 50 years ago in country Y. Shareholders were the main source of capital when the business expanded but bank loans have also been used. The company has recently allowed its employees to join a trade union which will have an effect on GT and its employees.

The company manufactures a range of toys for babies and young children below school age. These toys are sold to large toy shops throughout country Y and in other countries. However, the Marketing manager wants to develop online sales. He thinks GT's toys should only be sold using e-commerce, not through retailers. This will help prevent any communication barriers.

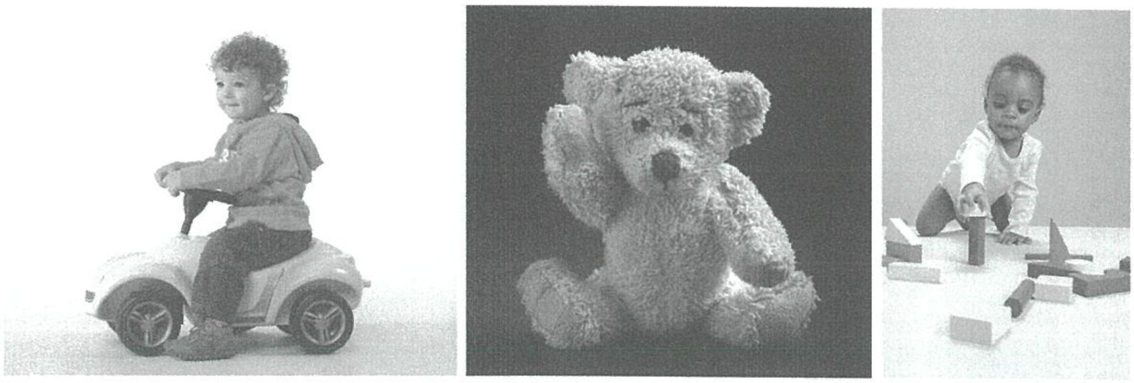
The Operations manager thinks that GT needs to reduce average costs to remain competitive in the global market. GT uses batch production to manufacture all the many designs of toys it sells. The Operations manager also thinks that the development of new toys should be changed for the different markets in other countries. Each market needs something different to make the toys a success.

GT buys from suppliers in country Y that it has dealt with for many years. GT uses just-in-time inventory control. The design of the toys has not been changed for a number of years. Sales have fallen over the past 12 months. Prices were increased last year to maintain profit margins.

The Human Resources (HR) manager is worried about low levels of worker motivation and the time taken to negotiate a new wage agreement for the production workers.

Appendix 1

Advertisement for GT



GT - your specialist quality toys. The greatest care goes into the design of each and every one of our many toys. The education and safety of your child are our main priorities. Our toys are available from all good toy shops at competitive prices.

Appendix 2

Email

To: Marketing manager

From: Operations manager

Date: 1 September 2018

Re: Need to cut costs

As discussed at our last meeting, we need to cut the average cost of making each toy. We could choose cheaper suppliers but this may mean we have to buy from suppliers in other countries. We could change the design of the toys so that we use fewer components (parts) when making the toys.

We have tried to do this with our toy car. We can reduce the number of components from 50 to 40 if we make the main car body out of one piece of plastic rather than several pieces. We could look at many of our other products to see if this is possible. We must be careful that it does not make the toys less attractive to customers.

Appendix 3

Financial and other information for GT and a main competitor

	GT	Main competitor
Annual revenue for latest financial year	$20m	$25m
Increase in sales from previous year	2%	5%
Cost of sales for latest financial year	$5m	$3m
Profit margin	10%	20%
Change in profit margin from previous year	Lower	Higher
Current ratio	1.5	2.5
Acid test ratio	1	2
Number of different designs of toys	200	100

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