




# Cambright Solved Paper

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|----------|--|------------------|-----------|------------------|
| ☰ Tags   | 2023   | Business Studies | CIE IGCSE | October/November |
|          | P1   | V3               |           |                  |
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| ☀ Status | Done   |                  |           |                  |

- 1 DBR is a mining business. It is a large public limited company which operates in the primary sector. DBR has 8 diamond mines and has 3000 employees. Specialisation is important. DBR has grown quickly over the past 5 years. The Managing Director is worried about possible diseconomies of scale as the business continues to grow. In 2022 DBR's profit was \$600 million.

(a) Identify **two** benefits to a business of specialisation.

- Increases output
- Quicker production / increases productivity / higher efficiency
- Lower unit cost / economies of scale
- Workers become expert/more skilled / employees focus on what they are good at.

Only need to answer 2 points.

(b) Identify **two** ways a business can grow.

- Takeover
- Merger
- Develop new products
- Enter new markets
- Franchising

Only need to answer 2 points.

(c) Outline **one** possible advantage and **one** possible disadvantage of DBR being a public limited company.

Advantages:

- Can raise large amounts of finance so can continue to grow
- Can sell shares to general public with no restrictions on buying, transferring and selling shares of this mining business
- May be able to borrow at low rates of interest
- High status / seen as more creditworthy to suppliers

Disadvantages:

- Many regulations has to publish its accounts so everyone knows its profit was \$600 million
- High cost to sell shares

(d) Explain **two** diseconomies of scale DBR might experience.

- Low motivation and lack of commitment for its 3000 employees leading to higher labour turnover and more workers leaving.
  - Poor communication between the mines leading to mistakes being made (inefficiency)
  - Lack of control leading to higher average costs
- Only need to answer 2 points.

(e) Explain **two** ways the size of a primary sector business can be measured. Which do you think is the best way? Justify your answer.

Number of employees

- Simple and easy to calculate
- May use a lot of machinery and capital intensive

Value of sales

- Easy and quick to access data
- Some business may sell seasonal products

Value of output

- Can be easy to compare across similar businesses
- If sell high value items, may not reflect size of business

Value of capital employed

- May have a lot of expensive machinery and capital which makes business look bigger than it is.

Only need to answer 2 points.

- - - - Justification needed - - - -

- 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'.

- Short-term debts owed by a business, repaid in less than one year.

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

Correct answer: 20%

Correct method:  $\text{ROCE} = \text{Profit} / \text{Capital Employed} \times 100$

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

- Increased productivity and efficiency of the 35 employees
  - Increase output of pizzas
  - Lower labour turnover so business can focus on ways to increase profit
  - Improves quality
- Only need to answer 2 points.

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

- Increased wages , salary and rate of pay as the revenue is \$600 000 so workers are better able to meet their basic needs
  - Praise to meet esteem needs of the 35 employees  
Offer training so employees feel more valued and important to the restaurant
  - Employee of the month or recognition so workers feel their hard work is acknowledged
  - Team working would provide support and sense of belonging  
Opportunity for promotion which could lead to higher pay.
- Only need to answer 2 points.

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

If "yes"

- No need to increase prices as this could result in fewer sales
- Would reduce break-even output
- Increase (gross) profit margin
- Cheaper materials may lower quality [k] damaging reputation

- - - - Justification needed - - - -

- 3 BKS is a manufacturer which makes a range of food products. Having a good brand image is important. Most of BKS's products are sold directly to large retailers. The business is always developing new products. The Marketing Manager knows that the stage of the product life cycle will influence BKS's marketing decisions about promotion. She is also aware of the reasons why the business should respond to environmental pressures.

(a) Define 'brand image'.

Identity / logo / unique name of a product that distinguishes it from other brands

(b) Identify **one** benefit and **one** limitation for a business of developing new products.

Benefits:

- Increase sales / revenue / customers
- Spread risk / diversification
- Enter new markets
- Help expand into existing markets / increase market share

Limitations:

- Cost of market research
- Cost of research and development (R&D)
- Cost of producing / testing trial products
- Cost of new machinery

(c) Outline **two** possible reasons why BKS might respond to environmental pressures.

- Avoid pressure group action / boycotts [k] which may damage brand image
- Protect reputation / brand image [k] of its food
- Respond to changing customer demands [k] by developing new products

- (d) Explain how BKS's marketing decisions about promotion might be affected if a product is in the following stages of the product life cycle.

Introduction stage: .....

.....

Explanation: .....

.....

.....

Maturity stage: .....

.....

Explanation: .....

.....

.....

..... [6]

Introduction stage:

- High level of promotion (spending) to attract and inform customers about the new foods
- (Advertise) to persuade , attract and inform customers about its new products to gain sales

Maturity stage:

- Low / less promotion (spending) as product is well-known and want to spend budget on other things such as responding to environmental pressures
- May be used to remind customers to keep buying its products ,to remain loyal , to have constant sales

- (e) Do you think selling direct to retailers is the best channel of distribution for a manufacturer to use? Justify your answer.

- Can sell in large quantities , wide distribution and access to more customers leading to higher potential revenue
- Retailers can help promote, advertise products which raises awareness and increase sales

- Can hold less inventory lowering storage costs.

#### Wholesalers

- Bulk buy / buy in large amounts
- Save storage space lowering storage costs

#### Sell direct to customers

- Can sell at lower price leading to more sales
- Higher profit as no need to pay middleman

- - - Justification needed - - -

- 4 FXN manufactures mobile phones. It is a multinational company. FXN plans to build a new factory in country Y. One reason for this is the decision by the government of country Y to introduce import quotas. The Managing Director said: 'The new factory will create 1200 jobs and help lower the level of unemployment in country Y. FXN will start the recruitment process as soon as a decision has been made about a suitable location for the new factory.'

(a) Define 'import quota'.

- Restriction on the quantity of a product than can be imported

(b) Identify **two** advantages to a country of having lower levels of unemployment.

- Increase in incomes and high standard of living
  - Low payments for benefits
  - Increased tax receipts
  - Economic growth
  - Higher GDP
  - Increased demand and sales
- Only need to answer 2 points.

(c) Identify **four** possible drawbacks for a country of having a multinational company located there.

- (Increased) competition
  - May offer low wages / poor working conditions / may only create unskilled jobs and exploitation of labour
  - Use up scarce resources
  - Environmental issues (damage) (pollution)
  - Repatriation to home country
- Only need to answer 4 points.

(d) Explain **two** factors FXN should consider when deciding on a suitable location for the new factory.

- Rent increasing fixed costs when making phones
  - Available amount of space as likely to need a large area
  - Availability access to employees as 1200 jobs to make sure quality efficiency is maintained
  - Environmental impact which could damage brand image
- Only need to answer 2 points.

(e) Do you think a recruitment website, which advertises jobs, is the best method for a business to use when recruiting a large number of employees? Justify your answer.

Recruitment website:

- As many people use the internet to look for jobs so able to attract a wider pool of candidates
- Some people do not have access to the internet

Newspapers

- Seen by many people ( wide exposure )
- Most people do not read newspapers [an] so possible candidates might not see the advert
- Only shown for a limited amount of time



### Recruitment agency

- Have expert knowledge / only send suitable people / do work for business saving time on interviewing
- Charge a high fee which increases expenses

- - - - Justification needed - - - -

# Additional notes

If you find any errors or mistakes within this paper, please contact us and we will fix them as soon as possible.