



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

BUSINESS STUDIES

0450/21

Paper 2

May/June 2013

INSERT

1 hour 45 minutes

READ THESE INSTRUCTIONS FIRST

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

This document consists of **3** printed pages and **1** blank page.



Ted's Tools (TT)

TT is a chain of shops which sell tools such as hammers, screwdrivers, electric drills and saws. The business was started 20 years ago as a partnership between 2 friends, Ted and Mustafa.

TT has 10 shops. There are 2 shops in each main city in country A. The business has grown by reinvesting profits and opening a new shop every 2 years. Each shop employs a shop manager and 5 shop assistants. The shops open 10 hours a day for 6 days a week.

Most of TT's customers are people who are building or repairing their own houses. The tools and equipment TT sells are cheap but low quality. As a result of this, few building firms and construction companies buy from TT. Most building firms only buy high quality tools and equipment that will last a long time.

Appendix 1

Competitor's Advertisement – Ed's Equipment

Tools and equipment for home and business use – we sell or rent!

Tired of buying tools that you only use a few times? Tired of buying tools which break after using them a few times? Then here is the answer.... For all your needs when building or repairing your house come to **Ed's Equipment**.

- Rent the tools you need for half the cost of buying them.
- All high quality tools as used by construction companies.
- Tools are reliable and high quality.
- Trade credit is available to business customers.
- Large range of tools in our big shop.

Visit us at our shop on Main Road, New City, 3210997. Telephone: 377228665.

Appendix 2

Cash flow forecast for TT (\$000s) for the second half of 2013

	July	August	September	October	November	December
Opening bank balance	1000	1100	1650	1550	1350	y
Cash inflows:						
Cash sales	1000	1100	400	300	300	500
Credit sales	100	100	100	100	100	100
Total cash inflows	1100	1200	500	400	400	600
Cash outflows:						
Stock	600	250	200	200	300	500
Wages	100	100	100	100	100	100
Overheads	300	300	300	300	300	300
Total cash outflows	1000	650	600	600	700	900
Net cash flow	100	550	x	(200)	(300)	(300)
Closing bank balance	w	1650	1550	1350	1050	z

Figures in brackets are negative.

Appendix 3

Daily News

May 2013

The recent bad weather has caused much damage to buildings in all of the main cities in country A. Strong winds are unusual at this time of year.

The Government estimates that the repairs will cost several million dollars. Many construction companies will welcome the increased number of customers, as the economy has been going through a recession and this has affected the building industry. Several new businesses might set up in the industry.

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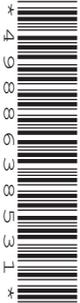
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Candidates answer on the Question Paper.

No Additional Materials are required.

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.

Do not use staples, paper clips, highlighters, glue or correction fluid.

DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.

The Insert contains the case study.

The business described in this question paper is 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.

This document consists of **11** printed pages, **1** blank page and **1** Insert.



- 1 (a) Country A is a market economy where there is little Government regulation. Identify and explain **one** advantage and **one** disadvantage to TT of trading in this type of economy.

Advantage:

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Explanation:

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Disadvantage:

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Explanation:

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..... [8]

(b) TT has 10 small shops. Consider the advantages and disadvantages of operating several small shops rather than 1 large shop. Do you think Ted was right to open 10 small shops rather than 1 large shop? Justify your answer.

For
Examiner's
Use

Several small shops:

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One large shop:

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Recommendation:

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[12]

- 2 (a) TT buys stock from manufacturers in other countries. Identify and explain **two** possible advantages to TT of importing its stock.

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

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..... [8]

(b) Ted and Mustafa want to increase the sales revenue from TT shops. There are **three** options listed below. Consider the advantages and disadvantages of each of these options and recommend which option you think Ted and Mustafa should choose. Justify your answer.

For
Examiner's
Use

Rent tools to customers instead of selling the tools:

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Sell high quality tools to construction businesses:

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Start to also sell paint and decorating equipment in the shops:

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Recommendation:

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[12]

3 (a) Ted and Mustafa want to open another shop. Identify and explain **four** factors they should consider when choosing a location for the new shop.

Factor 1:

Explanation:

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Factor 2:

Explanation:

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Factor 3:

Explanation:

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Factor 4:

Explanation:

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..... [8]

(b) Refer to the cash flow forecast in Appendix 2.

For
Examiner's
Use

(i) Calculate the values of **w**, **x**, **y** and **z** and write your answers below.

w:

x:

y:

z: [4]

(ii) Comment on **two** ways the cash flow position could be improved. Recommend the best way for Ted and Mustafa to improve the cash flow over the next 6 months. Justify your answer.

Way 1:

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Way 2:

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Recommendation:

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..... [8]

4 (a) Governments can pass laws to protect employees. Identify and explain **two** ways employment laws might benefit employees in TT's shops.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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- 5 (a) Refer to Appendix 3. Identify and explain **two** possible effects on TT's business of the recent bad weather.

Effect 1:

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Explanation:

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Effect 2:

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Explanation:

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..... [8]

(b) Mustafa wants to leave the partnership next year. Ted is considering **three** options listed below. Consider the advantages and disadvantages of each of these options. Recommend which option you think Ted should choose. Justify your answer.

*For
Examiner's
Use*

Start a new partnership with another partner:

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Become a sole trader:

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Form a private limited company:

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Recommendation:

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[12]

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