



Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES

0450/21

Paper 2

May/June 2018

INSERT

1 hour 30 minutes

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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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 **3** printed pages and **1** blank page.



Value Gym (VG)

Peter is a qualified fitness instructor. He used to work at a luxury gym in country X. Customers of this luxury gym pay a high monthly membership fee no matter how many times they visit. There are no additional fees.

Peter enjoys helping people get fit and lose weight and he enjoys teaching exercise classes. Peter wanted to help more people to get fit or build up their muscles so he decided to set up his own gym. Peter thought there was a demand for low priced gyms that allowed people to pay each time they used it rather than pay a high monthly fee. So he left his job and set up his own gym in a low income part of the city. Peter named his business Value Gym (VG) and opened it three months ago. Peter needed a large bank loan to help him set up his gym as he only had \$5 000 of his own money. He is a sole trader. He prepared a business plan to show the bank manager.

VG has been very successful and Peter is expecting to make a profit by the end of his first year as an entrepreneur. However, he still wants to attract more customers to the gym. He knows that marketing will be very important if his business is to expand.

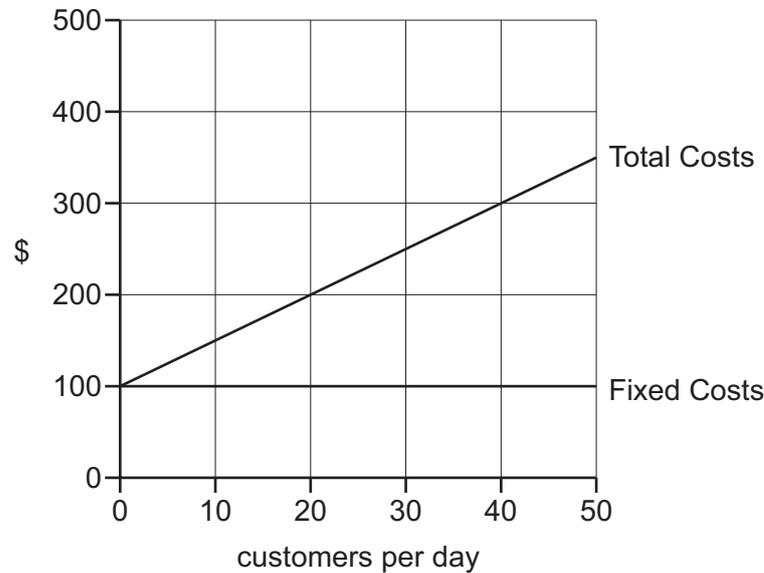
Peter has estimated that VG will soon need 4 personal trainers to work in the gym. Peter has not decided whether to employ these personal trainers or to allow personal trainers who work for themselves to use VG's facilities for a fee. The gym is open from 0600 until 2200, 7 days a week. Customers pay for each day they use the gym. In addition customers can pay for a personal trainer if they want individual tuition.

Appendix 1



Appendix 2

Break-even chart for VG



Variable costs per customer = \$5

Price per day to use the gym = \$10

Maximum capacity of the gym = 50 customers per day

Appendix 3

City News

April 2018

Demand for gyms is expected to increase

The government of country X is worried about the increasing health problems of the population. It wants more people to lose weight and get fit. This could make employees more productive and increase output for the businesses where they work.

A government grant is being given to anyone who owns a gym and has more than 20 customers a day. It is planned that the grants will be used to encourage more people to use a gym and get fit.

There is expected to be an increase in demand for personal trainers, especially to work in the evening. They will need to have qualifications in personal training to meet the health and safety regulations for working in a gym. Most personal trainers are paid the minimum wage. However it is expected that their wages will have to increase, as there will be a shortage of personal trainers until more people can gain qualifications in personal training.

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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 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 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.

The total number of marks for this paper is 80.

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This document consists of **10** printed pages and **2** blank pages.



- 1 (a) Identify and explain **two** ways a business plan could have helped Peter when setting up Value Gym.

Way 1:.....

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Explanation:.....

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Way 2:.....

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Explanation:.....

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[8]

(b) Consider the following **three** roles of marketing in Peter's business. Which one of these is the most important role? Justify your answer.

Identify customer needs:.....

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Satisfy customer needs:.....

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Build customer relationships:.....

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Conclusion:.....

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[12]

2 (a) Identify and explain **four** reasons why making a profit is important to Peter.

Reason 1:.....

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Explanation:.....

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Reason 2:.....

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Explanation:.....

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Reason 3:.....

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Explanation:.....

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Reason 4:.....

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Explanation:.....

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[8]

(b) Peter is considering the following **two** options. Recommend which option he should choose. Justify your answer.

Employ his own personal trainers:.....
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Charge a fixed fee to personal trainers who work for themselves to use VG's facilities with their clients:
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Recommendation:.....
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[12]

- 3 (a) Identify and explain **two** legal controls that could affect Peter when recruiting and employing workers.

Legal control 1:.....

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Explanation:.....

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Legal control 2:.....

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Explanation:.....

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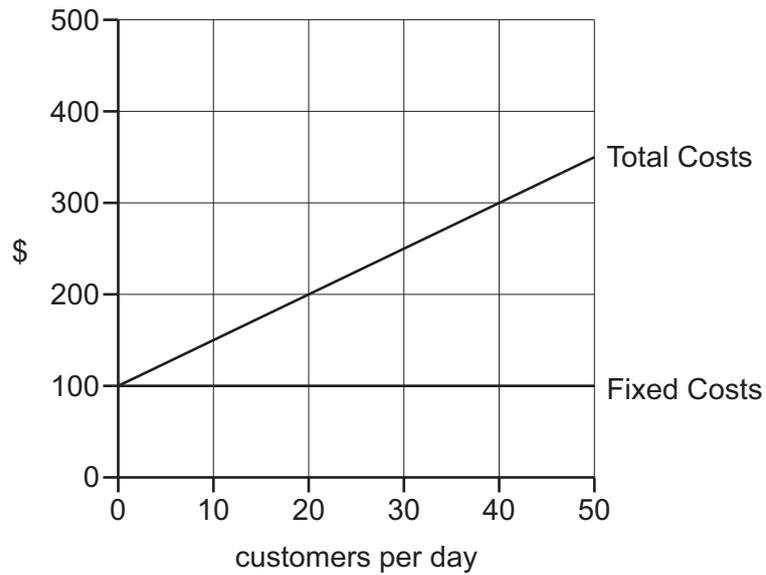
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[8]

- (b) (i) Refer to Appendix 2. Complete the break-even chart below by drawing the Total Revenue line.



[1]

- (ii) Identify the break-even number of customers per day.

..... [1]

(iii) Consider the following **two** ways Peter could use to try to increase profit. Recommend which way he should choose. Justify your answer.

Increase prices:.....

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Reduce variable costs:.....

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Recommendation:.....

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[10]

- 4 (a) Identify and explain **one** advantage and **one** disadvantage of leasing all the equipment used in the business.

Advantage:.....

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Explanation:.....

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Disadvantage:.....

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Explanation:.....

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[8]

(b) Consider how the following **three** changes will affect VG. Which one will have the biggest effect on the business? Justify your answer.

A multinational chain of luxury gyms recently set up in country X:.....

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There is an increased proportion of elderly people in the population:.....

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Interest rates have increased:.....

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Conclusion:.....

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[12]

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