



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

BUSINESS STUDIES

0450/21

Paper 2

May/June 2011

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.



Chocolate Delight

Chocolate Delight was set up in country X 15 years ago as a private limited company. The business grew slowly as the owners used reinvested profits as the only source of finance for expansion. The company has issued share capital of \$6m. The shares are owned by six members of the Sharif family.

Chocolate Delight has three main types of products which are:

- Plain chocolate bars mainly sold to adults
- Boxes of chocolates mainly sold to women
- Chocolate covered sweets mainly sold to children.

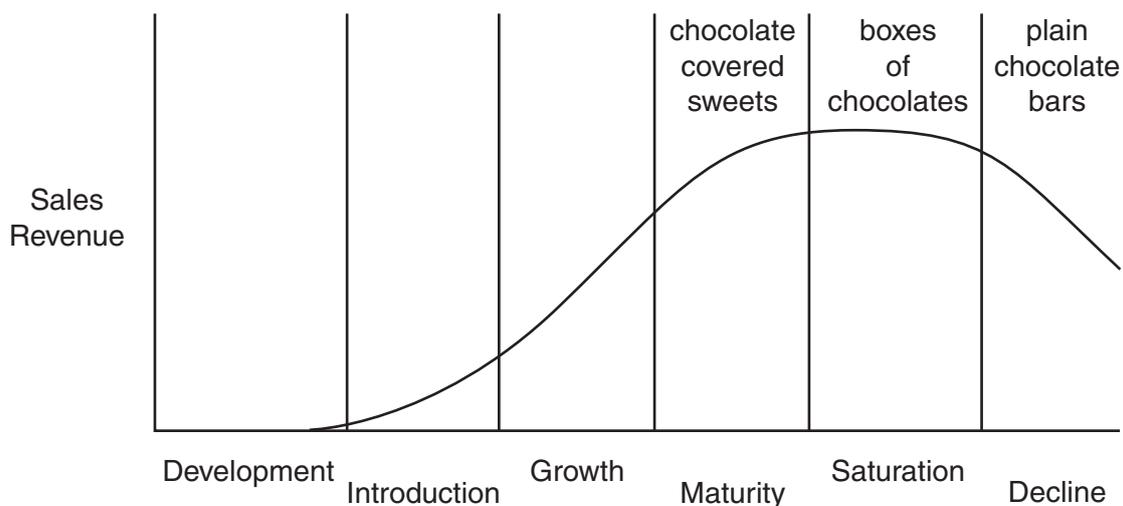
A big problem for the company is that it does not have the money to build an extra factory, which is needed to expand production. The owners are thinking of selling more shares to raise the necessary finance. \$5m is required to build the factory and equip it with production machinery. The Managing Director says: 'We need to become a public limited company to raise the additional finance'. However, the Finance Director says: 'This is a very expensive and risky way to raise the finance. We should continue to use retained profits to pay for an additional factory, even if we have to wait for 2 to 3 years before we have enough retained profit'.

Chocolate Delight employs skilled workers in the Research and Development (R & D) department. This department develops new products for the company.

Chocolate Delight buys 'Fair Trade' cocoa. This is where the cocoa farmer receives a higher price, about 10% more than the usual selling price. In return the farmer must ensure that no children are working on the farms and that farm employees are paid at least a set minimum wage. The farms need to be inspected regularly to be allowed to say they are selling 'Fair Trade' products.

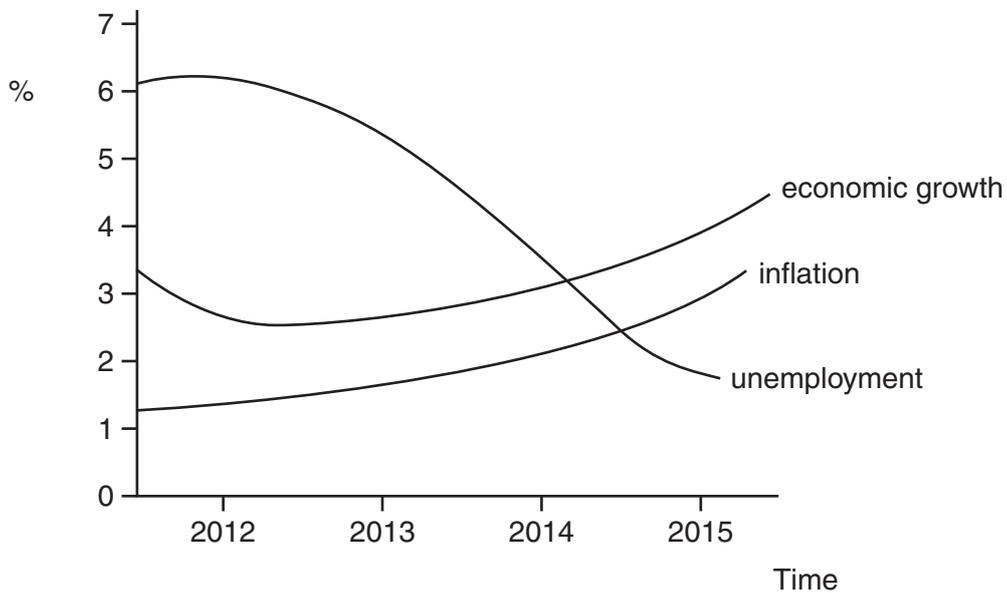
Appendix 1

The products of Chocolate Delight and stages of the Product Life Cycle



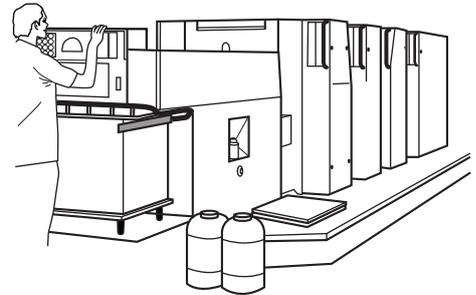
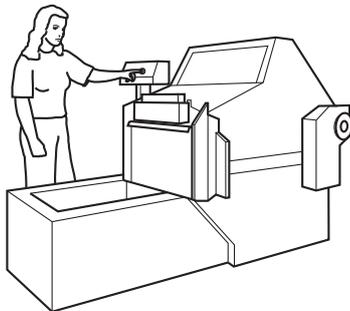
Appendix 2

Country X Economic Forecasts for 2012–2015



Appendix 3

Information on two machines for producing chocolate bars



	Machine A	Machine B
Cost of machine	\$500 000	\$800 000
Number of workers required to run the machinery at a daily wage of \$100 per worker	10	3
Output per day	10 000 chocolate bars	6 000 chocolate bars

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Candidates answer on the Question Paper.

Additional Materials: Insert

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.

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



- 1 (a) The Directors of Chocolate Delight think the business is successful.
Identify and explain **four** ways they could use to measure the success of the business.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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Way 3:

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Explanation:

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Way 4:

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Explanation:

..... [8]

(b) The Directors of Chocolate Delight want to build a new factory and will need to raise \$5m. Do you think the Managing Director is right in suggesting Chocolate Delight should become a public limited company, or is the Finance Manager right in suggesting retained profit should be used? Justify your answer using information in the case.

*For
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Becoming a public limited company:

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Using retained profit:

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Recommendation:

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[12]

- 2 (a) Appendix 1 shows plain chocolate bars are in the decline stage of the product life cycle. Identify and explain **four** ways in which the Directors of Chocolate Delight might respond to this problem.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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Way 3:

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Explanation:

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Way 4:

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Explanation:

..... [8]

(b) The Managing Director believes that the Sales Department is more important for the success of the company than the Production, Research and Development (R & D) and Human Resources Departments. Do you agree with him? Justify your answer.

*For
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Use*

Sales Department:

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Production Department:

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R & D Department:

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Human Resources Department:

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[12]

- 3 (a) Chocolate Delight has a website which gives customers information about the products it sells. Identify and explain **two** other ways that Chocolate Delight could use the Internet for business purposes.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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..... [8]

- 4 (a) The Finance Director says that break-even charts are useful when analysing the different products that Chocolate Delight produce. Identify and explain **two** ways break-even charts can be useful to the Finance Director of Chocolate Delight.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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5 (a) Identify and explain **two** possible reasons Chocolate Delight buys its cocoa from Fair Trade cocoa farmers.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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..... [8]

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