



Cambridge IGCSE[®] (9–1)

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BUSINESS STUDIES

0986/01

Paper 1 Short Answer and Data Response

For examination from 2020

SPECIMEN PAPER

1 hour 30 minutes

You must answer on the question paper.

No additional materials are needed.

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 80.
- The number of marks for each question or part question is shown in brackets [].

This document has **10** pages. Blank pages are indicated.

- 1 UDig is a large mining company based in country B. UDig is in the private sector. It supplies businesses in country B with 30% of the coal they need and the rest is imported.

UDig now has eight mines but plans to close two of them. This will threaten 1800 employees with redundancy. The Managing Director said: 'I blame the appreciation of country B's exchange rate and new legal controls, including those to protect the environment. The Government should help private sector businesses.'

- (a) Define 'private sector'.

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..... [2]

- (b) Define 'redundancy'.

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..... [2]

- (c) Outline how the appreciation of country B's exchange rate might affect UDig.

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..... [4]

(d) Explain **two** factors UDig should consider when deciding which mines to close.

Factor 1:

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Explanation:

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Factor 2:

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Explanation:

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..... [6]

(e) Do you think government should help private sector businesses? Justify your answer.

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..... [6]

- 2 Izaak owns a small fish restaurant. He employs two chefs (cooks) and three workers who serve in the restaurant.

Izaak has been trying to increase added value to improve profits. Izaak has been looking at the financial performance of his business. An extract is shown in Table 2.1. Izaak has received a number of complaints about food and service. He knows he must improve quality but cannot decide on the best way to do this.

Table 2.1

Extract from income statements (\$000)

	Last year	Current year
Revenue	X	300
Cost of sales	180	150
Gross profit	120	150
Expenses	90	Y
Profit	30	15

- (a) Define 'revenue'.

.....
 [2]

- (b) Calculate the values of **X** and **Y**.

X
Y [2]

- (c) Outline **two** ways Izaak could increase added value.

Way 1:

Explanation:

Way 2:

Explanation:
 [4]

(d) Explain **two** problems that low quality might cause Izaak's business.

Problem 1:

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Explanation:

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Problem 2:

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Explanation:

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..... [6]

(e) Do you think the profitability of Izaak's fish restaurant has improved since last year? Justify your answer using appropriate ratios.

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- 3 ReBag is a social enterprise. ReBag employs 30 people in four small towns in different parts of the country. They work from home and make a range of bags from pieces of old fabric (cloth).

Asha started the business three years ago using micro-finance. Last year ReBag’s revenue was \$700. Asha said: ‘Our external stakeholders want ReBag to employ people in five more towns. Getting a bank loan to expand the business will be a problem. What will I do about management? How will I inform workers about possible expansion?’

(a) Define ‘social enterprise’.

.....
..... [2]

(b) Identify **two** functions of management.

Function 1:
.....
Function 2:
..... [2]

(c) Identify **four** external stakeholder groups.

Stakeholder group 1:
.....
Stakeholder group 2:
.....
Stakeholder group 3:
.....
Stakeholder group 4:
..... [4]

(d) Explain **two** possible reasons why it might be difficult for ReBag to get a bank loan.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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..... [6]

(e) Explain **two** possible methods of internal communication that a small business could use to inform workers about a possible expansion. Justify which method should be chosen.

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..... [6]

- 4 GBU is a public limited company. It makes a range of beauty products including shampoo and soaps for the mass market.

Last year GBU’s revenue fell. The Marketing Director has been looking at some results from its primary market research. It was based on a sample of 2000 people, see Fig. 4.1. She believes maintaining customer loyalty is more important than attracting new customers.

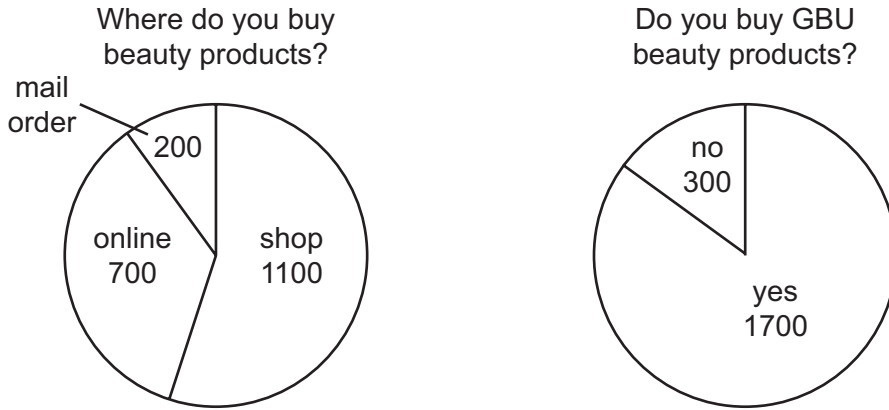


Fig. 4.1

- (a) Define ‘mass market’.

.....
 [2]

- (b) Calculate the percentage (%) of people who buy beauty products online. Show your working.

.....
 [2]

- (c) Identify **four** methods of primary market research that a business could use.

Method 1:

Method 2:

Method 3:

Method 4:
 [4]

(d) Explain **two** advantages to GBU of using shops as a channel of distribution.

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

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..... [6]

(e) Do you think maintaining customer loyalty should be more important to a business than attracting new customers? Justify your answer.

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..... [6]

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