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Centre Number	Candidate Number	Name

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

BUSINESS STUDIES **0450/02**

Paper 2

October/November 2006

1 hour 45 minutes

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.

Answer **all** questions.
The businesses described in this question paper are 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.

For Examiner's Use	
1	
2	
3	
4	
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Total	

This document consists of **13** printed pages and **3** blank pages.

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Bettabuild

Bettabuild is a medium sized private limited company which was started 15 years ago by a f[illegible] builders. The business builds houses and it has a reputation for excellent quality. Bettabuild s[illegible] small for the first 12 years but has grown rapidly over the last three years because it has gained ne[illegible] opportunities to build a large number of high quality houses for families with young children. However, building shopping centres and blocks of apartments (flats) is more profitable and the Directors are considering diversifying into this type of building work.

It has been difficult to recruit the skilled building workers needed to complete contracts over the last three years. If the business diversifies into building shopping centres and blocks of apartments, different types of skilled workers will need to be recruited. The number of skilled workers employed by Bettabuild is 200 but the number of skilled workers leaving each year is 40. The labour turnover at Bettabuild is high. Unlike Bettabuild, some other local building businesses offer piece-rate, long holidays, fringe benefits and safe working conditions.

The management style used by Bettabuild is autocratic and the management do not believe in the need to inform their workers about any changes in the business. “The workers just need to work hard and do not need to know anything about what the business is planning. Only the management should be involved in decision-making” said Bafana, the Human Resources manager.

If Bettabuild are to keep expanding at a fast rate and accept new building contracts they will need to look at the business’s finances. “Cash flow is going to be a big problem” said Sheena, the Finance manager. “We may need to takeover the company that supplies our raw materials to ensure our supplies during our expansion and this will cost a lot of money”.

Appendix 1

Government information leaflet to the Building Industry

If you want to build houses, shops or offices then you will need to apply for permission from the Government.

Attention builders! The following are the steps needed to be taken to apply for planning permission.

1. A planning application form must be filled in and a fee paid to the Government;
2. Government planning staff will then look at the form;
3. The planning staff will ask people, who live near to the planned building, for their views on the proposals;
4. Local people will be given time to reply to the Planning Department to say if they are happy or unhappy about the proposed new building;
5. Finally, a decision will be made whether permission for the building will be given or refused.

If permission is not given then an appeal can be made but this will involve an extra fee.

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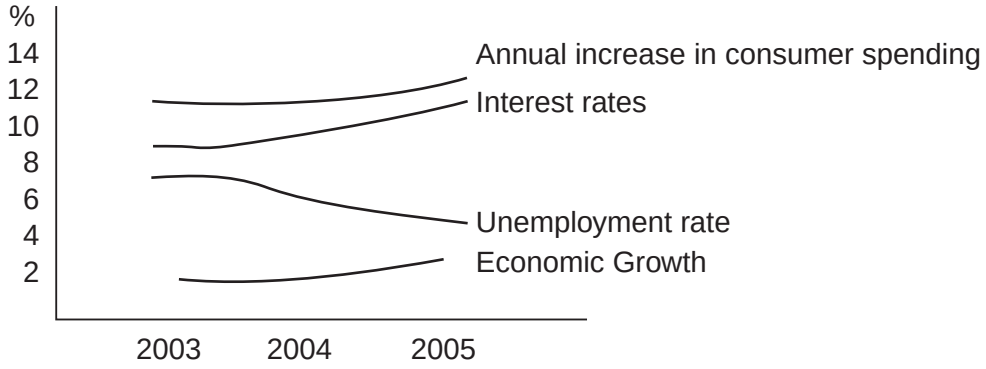
Appendix 2

Economic data for the economy over the last 3 years



Appendix 3

Summary of estimated costs and revenue for Bettabuild

Daily wage rate per skilled worker	$80 per day
Number of days it takes to build a shopping centre using 100 skilled workers	230
Number of days it takes to build one house using 10 skilled workers	35
Price paid to Bettabuild for a shopping centre	$3,500,000
Price paid to Bettabuild for a house	$ 50,000
The cost of materials to build a house or a shopping centre is 50% of the total labour costs.	

Appendix 4

Daily News **18 October 2006**

Recent Government statistics show that the population is growing rapidly. This is because more children are being born. There are also a large number of single people leaving their parents' houses and moving into the towns and cities looking for work. These changes create some interesting challenges and opportunities for both the Government and business.

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1 **(a)** **(i)** Identify **two** possible objectives of Bettabuild.

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(ii) Explain why each of these objectives might be important for Bettabuild.

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(b) Managing the finances of a rapidly growing business is very important. Why think Sheena, the Finance Manager, is concerned about Bettabuild's cash flow? Ex your answer.

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For Examiner's Use

2 **(a)** Complete the advertising poster for Bettabuild in the box below. Use the inform the case study to help you decide on the advertising messages to use to sell existing high quality houses.

Advertising Poster for Bettabuild's high quality houses

[8]

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(b) Bettabuild are planning to diversify into building blocks of apartments. How wo
advise Bettabuild on the **most** effective methods to research the market for low
apartments?

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For Examiner's Use

3 **(a)** Explain the problems that Bettabuild might experience from a high number of workers leaving each year.

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For Examiner's Use

(b) Bettabuild wants to reduce this level of labour turnover. How would you Bettabuild to reduce the number of staff leaving?

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For Examiner's Use

4 **(a)** Explain, using examples of social costs and social benefits, how the Governmen use Cost Benefit Analysis (CBA) to help it decide whether to allow a new shop centre to be built.

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(b) Consider the advantages and disadvantages to a business, such as Bettab Government laws and regulations.

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For Examiner's Use

5 **(a)** Using the information in Appendix 3, calculate Bettabuild's gross profit made on:

(i) building one house

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(ii) building one shopping centre.

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For Examiner's Use

(b) Do you think the economic data in Appendix 2 is favourable or not favourable to Bettabuild? Explain your answer.

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