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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

BUSINESS STUDIES **0450/02**

Paper 2 **May/June 2008**

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.
DO **NOT** WRITE IN ANY BARCODES.

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.

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1	
2	
3	
4	
5	
Total	

This document consists of **16** printed pages.

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A new business – but which one?

Abdul's job is to repair cars. He works for a large car sales business that sells new and second-hand cars. Abdul's uncle died earlier this year and left him $5 000. He has always wanted to work for himself and now he has some money to start his own business. He could do this by buying a franchise. Abdul's wife is a qualified accountant. She works for a company that owns several furniture shops.

Abdul is going to choose between opening his own car repair business or buying a franchise from a big furniture retail business. To open his own car repair business will take a lot of effort to find a suitable location with the equipment needed. Buying a franchise for a furniture shop will be expensive. However, the franchise company will help Abdul with a lot of the start-up problems such as finding a suitable shop.

Abdul will need to employ staff whichever business he sets up. The car repair business will need qualified car repair workers and the furniture shop will require sales staff.

Abdul and his wife live in a large city in Country X. The country has a population of 10 million who are enjoying increasing incomes as there has been economic growth in Country X in recent years. However, unemployment is still a problem.

Abdul has carried out some market research for the car repair business as shown in Appendix 3. He has also prepared two profit forecasts for the businesses and these are given in Appendix 1.

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Appendix 1

Forecasted Profit and Loss Accounts year ending December 2009 for:

	Car repair business	Furniture franchise
	$	$
Sales Revenue	100 000	200 000
Cost of Sales	10 000	100 000
Gross Profit	90 000	100 000
Expenses	80 000	60 000
Net Profit	10 000	40 000

Appendix 2

Letter to Bank Manager

Dear Sir/Madam

I want to set up my own business. I have $5 000 to invest in my business but I need additional funds. I have two possible business ideas.

The first one is to set up my own car repair business and for that I will need an additional $10 000 to buy equipment. I will rent my garage.

The second idea is to buy a franchise for a furniture shop and for that I will need an additional $90 000. $40 000 will be needed to buy the franchise and $50 000 to buy furniture stock. I will rent my shop.

I would like to come and see you to discuss my two ideas.

Yours faithfully
Abdul

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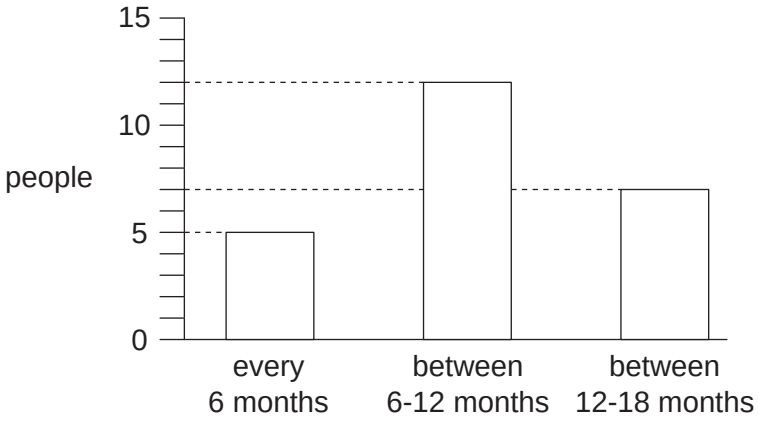
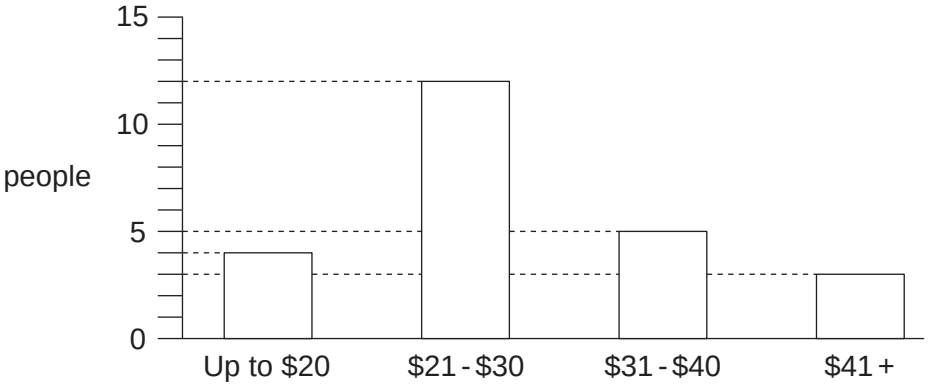
Appendix 3

Questionnaire results for car repair business

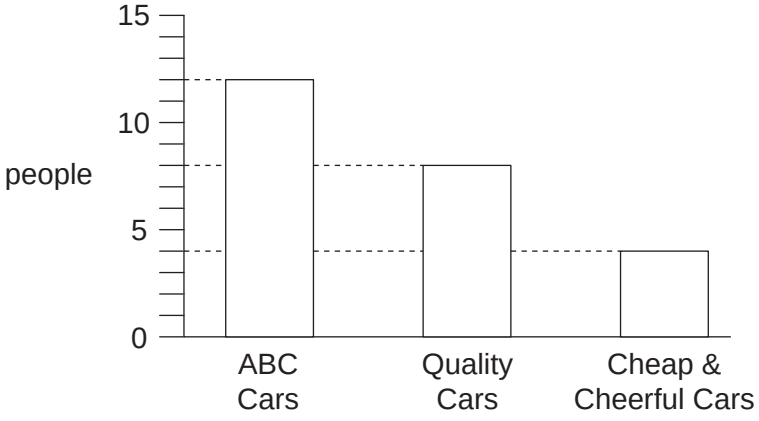
1 How often do you have your car repaired or serviced?



2 How much do you usually pay for the servicing of your car?



3 Which car repair garage do you take your car to when it is repaired or serviced?



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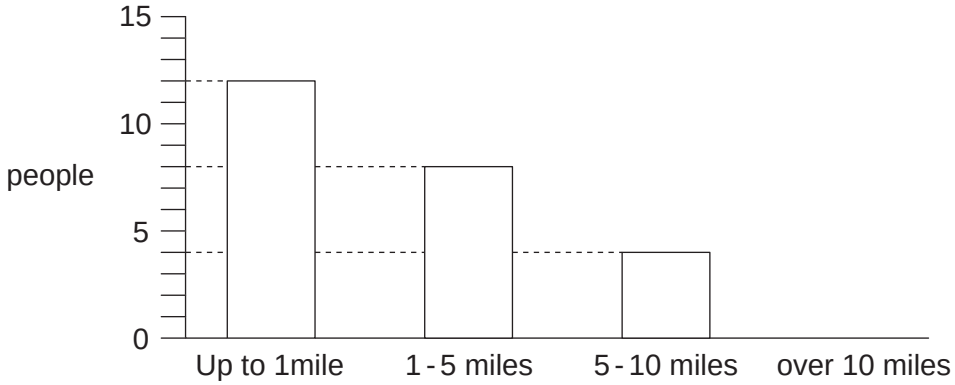
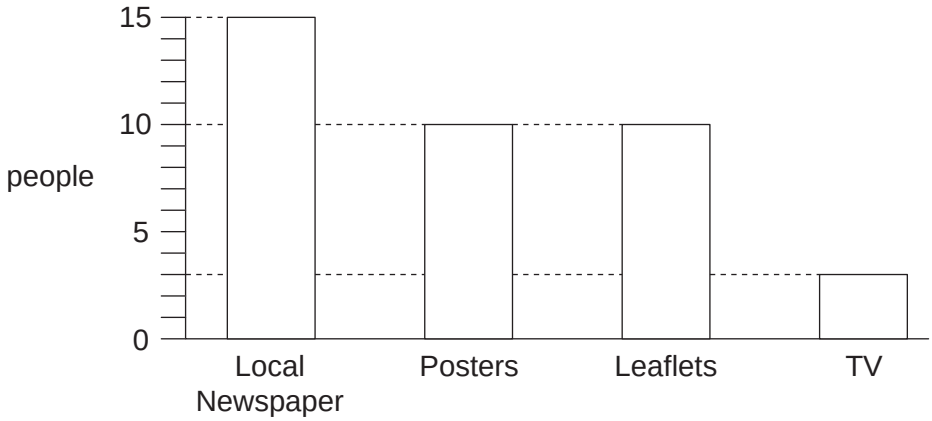
4 How far away from your home is this garage?



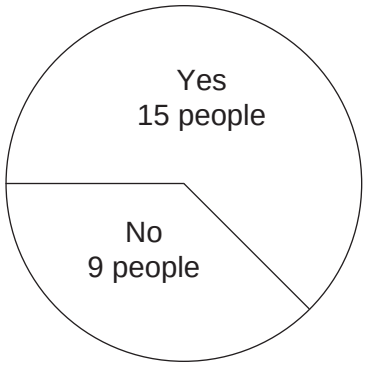
5 Why do you choose this garage?

Cheap	Good quality service	Always taken car there	Know the owner
10 people	8 people	3 people	3 people

6 Where have you seen advertisements for garages?



7 Does your garage ever have promotions/special deals?



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1 **(a)** **(i)** Abdul has made an appointment to see the Bank Manager. List **three** questions the Bank Manager might ask Abdul before deciding whether to give the capital he will need.

Bank Manager's Question 1: .....

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Bank Manager's Question 2: .....

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Bank Manager's Question 3: .....

..... [3]

(ii) For **each** of the three questions, explain **why** the Bank Manager would ask the question.

Explanation (Question 1): .....

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Explanation (Question 2): .....

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Explanation (Question 3): .....

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(b) How useful would break-even analysis be to Abdul in helping him choose betw two business options? Explain your answer.

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2 **(a)** Abdul is considering buying a franchise for a furniture shop. What are the adva **and** disadvantages for Abdul of buying a franchise from a big furniture retail busi instead of setting up his own furniture shop?

Advantages: .....

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Disadvantages: .....

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(b) A suitable location will be needed if Abdul decides to open the furniture shop. E
the most important factors that will affect this decision of where to locate his furn
shop.

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3 **(a)** Abdul has to decide which business to open. Using the financial information in Appendices 1 and 2, compare the profitability of the two businesses and advise Abdul which one to open. Give reasons for your choice.

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(b) Governments often help new businesses to start up. Explain **why** the governm
Country X might help Abdul to start his business.

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4 **(a)** Using the information in Appendix 3 draw a graph or chart to show the results of q
5 in Appendix 3.

[4]

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(b) Abdul has carried out market research for the car repair business and a summary of results are in Appendix 3. How would this information help Abdul when deciding on marketing for this business?

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(c) How useful would the Internet be to Abdul if he set up the car repair business?

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5 **(a)** Abdul will need to employ sales staff if he opens the furniture shop. Advise him best ways to recruit and select new staff.

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(b) To be successful the furniture shop will need motivated sales staff. Advise Al **how** he could motivate his sales staff.

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