



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE
NAME

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BUSINESS STUDIES

0450/02

Paper 2

October/November 2007

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 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.

| For Examiner's Use | |
|--------------------|--|
| 1 | |
| 2 | |
| 3 | |
| 4 | |
| 5 | |
| Total | |

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



Newspapers Plus

Newspapers Plus (NP) is a large multinational company that publishes newspapers and magazines in several different countries. It is a public limited company and makes high profits for its shareholders. NP wants to start operating in Country X to publish a new magazine. The management intend to build a new printing factory in Country X to print the new magazine. The printing factory could also be used to produce newspapers if NP decides to expand into the newspaper market in Country X.

Factory workers could be recruited in Country X. There are no trained printing workers in Country X but wages are low. Trained printing workers could be transferred from NP factories in other countries. This would be expensive and they would not know the language.

Country X has a population of 10 million people and 80% of the population live in towns and cities. There are 6 national newspapers in Country X and many local newspapers. Most of the magazines on sale in Country X are imported. The most popular one being 'The Healthy Woman' published monthly. Because these magazines are imported, these magazines do not contain articles about Country X, its shops or its products. Only imported products are advertised or written about in the magazines.

The management of NP has three main ideas for the new magazine. A final decision has still to be made. The new magazine is to be aimed at women but different age groups could be targeted which would mean different types of articles could be included. The three ideas are outlined in Appendix 1.

Appendix 1

| Idea | Age group targeted | Estimated circulation of the magazine | Estimated revenue per month | Production cost per magazine |
|---------------------------------------|--------------------|---------------------------------------|-----------------------------|------------------------------|
| Health Magazine - monthly | 16 - 25 | 100,000 | \$500,000 | \$2 |
| Fashion Magazine - monthly | 18 - 30 | 200,000 | \$800,000 | \$1 |
| Fashion and Beauty Magazine - monthly | 21 - 45 | 150,000 | \$1,000,000 | \$3 |

Appendix 2

Memorandum

To: Managing Director of NP
 From: Marketing Manager of NP
 Date: 13 October 2007
 Re: Advertising Revenue

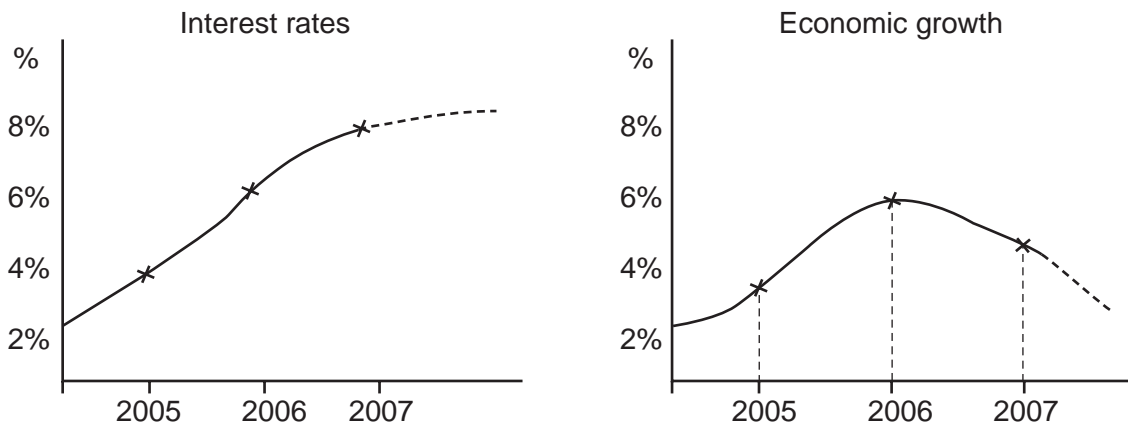
Several beauty product companies have indicated that they would like to advertise in our new magazine in Country X. We asked them which age group mainly buy their products and the answer was 16-30 years. We estimate that the magazine advertising revenue will increase by approximately \$60,000 for each 100,000 copies sold. The more sales we make the more advertising revenue we will receive.

Fashion shops which sell expensive designer clothes are willing to pay \$100,000 for advertisements in the magazine for each 100,000 copies sold. The age group which tends to buy these types of clothes is 30-45 years.

We need to take this data into account when deciding on the style and articles for our new magazine.

Appendix 3

Government Economic Data for Country X



- (b) (i) The Marketing Manager will need to decide on a pricing strategy for the new magazine. Describe **three** suitable pricing strategies the company might use.

Strategy 1:

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Strategy 2:

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Strategy 3:

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[9]

- (ii) Which **one** of these three strategies would you recommend for NP to use for the new magazine and **why**?

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[3]

- 4 (a) NP will need to raise \$4m to set up a new printing factory to publish the magazine. Analyse **three** methods of finance they could use.

Method 1:

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Method 2:

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Method 3:

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[8]

- 5 (a) NP will use flow production in its new printing factory. Outline **two** benefits of using this method of production.

Benefit 1:

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Benefit 2:

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[8]

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