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Cambridge Assessment International Education

# Cambridge IGCSE™ (9-1)

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|---|---|---|---|---|---|---|---|---|---|
| CANDIDATE NAME | | | | | | | | | |
| CENTRE NUMBER | | | | | | CANDIDATE NUMBER | | | |

*4197934463*

**BUSINESS STUDIES** **0986/12**

Paper 1 Short Answer and Data Response **May/June 2020**

**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 **12** pages. Blank pages are indicated.


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**1** DWT makes solar panels in country Y. This is a low-cost country which is experiencing rapid economic growth. DWT's production method makes use of specialisation. All 120 of DWT's employees know that ensuring quality production is important. DWT imports some of its raw materials. The Government of country Y plans to introduce import tariffs of 50%. DWT's Managing Director said: 'This decision will affect all of our stakeholders. Why do governments introduce trade restrictions such as import controls?'

**(a)** Define 'specialisation'.

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..... [2]

**(b)** Identify **two** reasons why a government might introduce import controls.

Reason 1: .....

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Reason 2: .....

..... [2]

**(c)** Outline **two** ways DWT could try to ensure quality production.

Way 1: .....

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Way 2: .....

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**(d)** Explain **one** objective of each of the following stakeholder groups of DWT.

Customers: .....

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Pressure groups: .....

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**(e)** Do you think that all businesses will benefit from operating in a country which is experiencing rapid economic growth? Justify your answer.

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**2** MLC makes motorcycles. The Managing Director has been analysing MLC's costs. An extract of this information is shown in Table 2.1. To reduce average costs, MLC plans to close its factory and relocate production to another country. Only 50 of the existing employees will be offered jobs at the new location. The trade union has been informed. All the new employees will be given either on-the-job training or off-the-job training. This planned relocation will have an impact on MLC's income statement.

**Table 2.1**

| **Cost and other information for MLC's current factory (2019)** | |
|---|---|
| Total output (units) | 3 000 |
| Total cost | $1 200 000 |
| Number of employees | 200 |

**(a)** Define 'trade union'.

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..... [2]

**(b)** Calculate the average cost of one motorcycle. Show your working.

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**(c)** State **four** features of an income statement.

Feature 1: .....

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Feature 2: .....

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Feature 3: .....

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Feature 4: .....

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**(d)** Explain **two** possible problems for MLC of relocating its operations to another country.

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

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**(e)** Do you think on-the-job training is a better method of training for a manufacturing business to use than off-the-job training? Justify your answer.

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**3** Kala always wanted to be an entrepreneur. She used to work for a business which downsized its workforce 5 years ago. She then decided to start up CHL. She produced a business plan which helped her obtain finance. Kala now designs customised sports clothes for women. Kala sells these products directly to customers using e-commerce. She has a loyal customer base of 25-40 year olds. However, Kala is worried about increased competition in this niche market. One idea she has is to target different market segments.

**(a)** Define 'business plan'.

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..... [2]

**(b)** Identify **two** reasons why a business might downsize its workforce.

Reason 1: .....

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Reason 2: .....

..... [2]

**(c)** Outline **two** reasons why Kala's business might need finance.

Reason 1: .....

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Reason 2: .....

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**(d)** Explain **one** advantage and **one** disadvantage to Kala of using e-commerce to sell her products.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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**(e)** Do you think selling to different market segments is the best way for a small business to respond to increased competition? Justify your answer.

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**4** ALB is a large bank. It has 300 branches and 5 000 employees. ALB provides a range of financial services to its business customers. As it operates in a competitive market, ALB aims to maintain customer loyalty. Last year ALB's profit decreased to $3 000m. The Managing Director is analysing ways to reduce ALB's costs. She also has to decide how new legal controls over employment issues might affect the business. The Government plans to improve protection of employees by changing laws on the minimum wage and health and safety.

**(a)** Define 'profit'.

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..... [2]

**(b)** State **two** problems of using the number of employees to measure the size of a business.

Problem 1: .....

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Problem 2: .....

..... [2]

**(c)** Outline **two** possible ways ALB can try to reduce its costs.

Way 1: .....

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Way 2: .....

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..... [4]

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**(d)** Explain **two** ways ALB could improve customer loyalty.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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..... [6]

**(e)** Do you think changes in legal controls over employment issues will always reduce business profits? Justify your answer.

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