



Cambridge International Examinations
Cambridge International General Certificate of Secondary Education (9–1)

CANDIDATE
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BUSINESS STUDIES

0986/01

Paper 1

For Examination from 2019

SPECIMEN PAPER

1 hour 30 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name in the spaces at the top of this page.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, 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.

The total number of marks for this paper is 80.

This document consists of **9** printed pages and **1** blank page.

1 AB is a large business providing transport services in country Z. The economy of country Z is in recession. Fig. 1 shows the market distribution of AB's sales in 2011. AB has borrowed \$200m from banks. Table 1 shows a summary of AB's financial data in 2011. AB has received a takeover bid from a rival business based in another country.

Fig. 1: Market distribution of sales (2011)

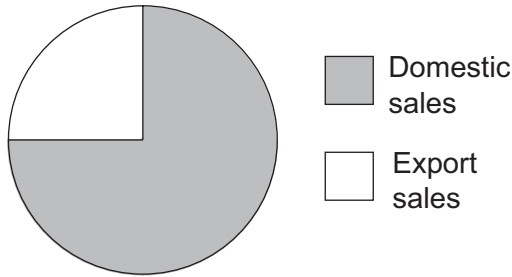


Table 1: Financial data (2011)

Revenue	\$800m
Profit	\$80m
Profit margin	10%
Return on Capital Employed	5%

(a) What is meant by 'Return on Capital Employed'?

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..... [2]

(b) Calculate the value of AB's revenue from domestic sales in 2011.

.....

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.....

..... [2]

(c) Identify and explain **two** disadvantages to AB of borrowing a lot of money from banks.

Disadvantage 1:

Explanation:

.....

.....

Disadvantage 2:

Explanation:

.....

..... [4]

(d) Identify and explain **two** reasons why AB might be affected by the recession.

Reason 1:

Explanation:

Reason 2:

Explanation:

[6]

(e) Do you think that a takeover would benefit AB's employees? Justify your answer.

[6]

2 Halitec manufactures computers using flow production. There are many other computer manufacturers, but Halitec has a high market share. The business is well-known for the quality of its products. It spends a lot of money on quality control. Labour productivity is low and some machines are old. Halitec does not do any market research.

(a) What is meant by 'market share'?

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

(b) What is meant by 'quality control'?

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

(c) Identify and explain **two** advantages to Halitec of using flow production.

Advantage 1:

Explanation:

.....
.....

Advantage 2:

Explanation:

.....
..... [4]

(d) Identify and explain **two** ways in which Halitec could improve efficiency.

Way 1:

Explanation:

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Way 2:

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Explanation:

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..... [6]

(e) Do you think that Halitec would benefit from spending money on market research? Justify your answer.

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..... [6]

3 Michelle owns a successful restaurant. She is an autocratic leader. Michelle believes that highly-motivated employees are very important. She employs three cooks in the kitchen, two people serving at tables and one person at the cash desk. All employees are paid the same weekly wage. Michelle wants to recruit a restaurant manager.

(a) What is meant by an 'autocratic leader'?

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

(b) Identify **two** advantages to a restaurant of having highly-motivated employees.

Advantage 1:
.....
Advantage 2:
..... [2]

(c) Identify and explain **one** advantage and **one** disadvantage to Michelle's employees of them all being paid the same weekly wage.

Advantage:
Explanation:
.....
.....
Disadvantage:
Explanation:
.....
..... [4]

(d) Identify and explain **two** factors that Michelle should consider when recruiting a restaurant manager.

Factor 1:

Explanation:

.....

.....

Factor 2:

.....

Explanation:

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..... [6]

(e) Do you think that the motivation of the employees would increase if the new restaurant manager used a democratic leadership style? Justify your answer.

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..... [6]

4 After losing his job, Juan decides to become an entrepreneur. He wants to set up a shoe-repair business with his redundancy payment. He would be a sole trader. Juan believes a business plan would help him. Juan has been told to build good customer relationships. The Government is offering either grants or free training to all new business start-ups.

(a) Identify **two** characteristics of a successful entrepreneur.

Characteristic 1:

.....

Characteristic 2:

..... [2]

(b) Identify **two** possible advantages to Juan of being a sole trader.

Advantage 1:

.....

Advantage 2:

..... [2]

(c) Identify and explain **two** ways in which a business plan might help Juan's business.

Way 1:

Explanation

.....

.....

Way 2:

Explanation:

.....

..... [4]

(d) Identify and explain **two** methods Juan could use to help build good customer relationships.

Method 1:

Explanation:

Method 2:

Explanation:

[6]

(e) Recommend to Juan whether he should choose a grant **or** free training from the Government. Justify your choice.

[6]

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