

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL
General Certificate of Education Advanced Level

BUSINESS STUDIES
PAPER 1

9198/1

NOVEMBER 2016 SESSION

3 hours

Additional materials:
Answer paper

TIME 3 hours

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer paper/answer booklet.

Answer **all** questions.

Write your answers on the separate answer paper provided.

If you use more than one sheet of paper, fasten the sheets together.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question.

You are advised to spend not more than 2 hours on Section A.

The businesses described in this paper are entirely fictitious.

You are reminded of the need for good English and clear presentation in your answers.

Calculators may be used.

This question paper consists of 3 printed pages and 1 blank page.

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Section A [70 Marks]

Answer **all** questions.

- 1 (a) State how economic activities are classified. [3]
- (b) Explain how the state might intervene to constrain businesses in your country. [4]
- 2 (a) Distinguish between Fiscal Policy and Monetary Policy. [2]
- (b) State any **two** examples of external stakeholders of a business. [2]
- 3 How might management increase the willingness of employees to accept change in an organisation? [4]
- 4 Evaluate the relationship between line and staff managers. [4]
- 5 Distinguish between vertical and horizontal communication. [4]
- 6 Assess the relevance of Elton Mayo's ideas on motivating workers. [5]
- 7 (a) What is the difference between niche marketing and mass marketing? [4]
- (b) To what extent is the knowledge of price elasticity of demand useful to a manufacturer of shoes? [4]
- 8 Explain the limitations of value analysis to a car manufacturer. [4]
- 9 Define the following terms:
- (a) capacity utilisation, [1]
- (b) benchmarking. [1]
- 10 (a) Discuss the usefulness of a work study programme to a large business. [4]
- (b) (i) How do producers classify costs of production? [2]
- (ii) Explain the importance of break-even analysis to a cement producer. [4]
- 11 (a) Explain the role of Merchant Banks to an exporting business. [4]
- (b) (i) Define the term *depreciation* when applied to final accounts. [2]
- (ii) Why might a profitable business have liquidity problems? [4]
- 12 (a) State any **two** decision-making tools. [2]
- (b) Explain any **one** measure of central tendency. [2]
- (c) What is the importance of Information Technology to a marketing department? [4]

Section B [30 marks]

Read the following case study and answer **all** the questions that follow.

Sinyoro Auto Spares

Sinyoro Auto Spares (SAS) is a small business operating in a high density suburb in Mutare. It was started in 2010 by two brothers, Curdman and Cuthbert as a partnership. The two once worked for eleven years at Ndingazi Commuters (Pvt) Ltd as mechanics before the company was liquidated in 2009.

SAS specialises in selling automobile spare parts for different types of vehicles. The business has been doing well, making reasonable turnover and profits. The beginning of 2014 brought many challenges to many businesses of which SAS has not been spared. The management of SAS, sensing a bleak future if they remained in their current state, held an extraordinary meeting. Various options were discussed. Two options appeared to be more lucrative:

- Option 1: Relocating to Harare
 Option 2: Diversifying into petroleum business

The Finance Manager argued that although both options were equally good, the partnership had no capacity to finance them using internal means. He produced the following data showing initial outlays and expected returns for each option to justify his view:

	Option 1	Option 2	
	Relocating to Harare	Diversifying into petroleum business	Discount factors at 10%
Initial Outlay	\$ 80 000	\$ 100 000	
Expected Returns			
Year 1	75 000	20 000	0,91
2	70 000	25 000	0,83
3	60 000	50 000	0,75
4	50 000	100 000	0,68
5	40 000	180 000	0,62

The management of SAS had no other option than to negotiate for a long-term bank loan with their bankers, although interest rates are too high.

- 13 (a) (i)** Calculate the Net Present Value for each option using a discount rate of 10%. [4]
- (ii)** Advise on the option that should be considered. [2]
- (b)** Why might Sinyoro Auto Spares decide not to use NPV as an investment appraisal technique? [4]
- 14** Discuss the factors that might influence Sinyoro Auto Spares' decision to relocate. [10]
- 15** Evaluate the benefits of diversifying into petroleum trade. [10]

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