UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

*2003176636*

**BUSINESS STUDIES** **7115/11**

Paper 1 **May/June 2010**

**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.

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

This document consists of **11** printed pages and **1** blank page.


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**1** Gabby is the production manager at a factory that manufactures a range of electrical products including televisions. The company uses flow production methods in its factory. Gabby was looking at some data produced by the finance department. This data is shown in Table 1.

*For Examiner's Use*

**Table 1: Cost and Output Data**

| Output per week [units] | Fixed costs [$000's] | Variable costs [$000's] |
|---|---|---|
| 2000 | 8000 | 6000 |
| 3000 | 8000 | 7000 |

**(a)** Calculate the cost per unit if the output of the factory is 3000 units per week.

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.....[2]

**(b)** Identify **two** economies of scale that the factory might gain by increasing its weekly output.

Economy of scale 1: .....

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Economy of scale 2: .....

.....[2]

**(c)** The factory uses flow production methods. Identify and explain **two** features of flow production.

Feature 1: .....

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Feature 2: .....

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**(d)** Rather than making components, Gabby's company is going to buy them from another manufacturer. Identify and explain **three** advantages to Gabby's company of doing this.

*For Examiner's Use*

Advantage 1: .....

Explanation: .....

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Advantage 2: .....

Explanation: .....

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Advantage 3: .....

Explanation: .....

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**(e)** Recently Gabby's company has become much larger. Do you think that becoming larger is an advantage for a business? Justify your answer.

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**2** AB is a large business providing services in country Z. Fig. 1 shows the market distribution of its sales in 2009. Table 2 shows a summary of its financial data in the same year.

*For Examiner's Use*

**Fig. 1: Market Distribution of Sales (2009)**

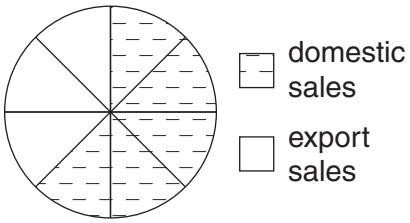



**Table 2: Financial Data (2009)**

| | |
|---|---|
| Sales turnover | $750m |
| Net Profit | $150m |
| Net profit margin | 20% |
| Return on capital employed | 15% |

**(a)** What is meant by a return on capital employed [ROCE]?

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**(b)** Calculate the value of domestic sales in 2009.

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**(c)** AB has borrowed a lot of money from banks in order to expand. Identify and explain **two** disadvantages to a company of owing a lot of money to banks.

Disadvantage 1: .....

Explanation: .....

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Disadvantage 2: .....

Explanation: .....

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.....[4]

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**(d)** Country Z is in recession. Identify and explain **three** ways in which a recession might affect AB.

*For Examiner's Use*

Way 1: .....

Explanation: .....

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Way 2: .....

Explanation: .....

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Way 3: .....

Explanation: .....

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**(e)** The Government of country Z is to take control of AB. Do you think that this will be in the best interests of the stakeholders in AB? Justify your answer.

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*For Examiner's Use*

**3** Deco is an electronics company manufacturing a wide range of products. The company operates in a highly competitive and fast changing market. The management of Deco believe that the company is 'market orientated'.

**(a)** What is meant by a 'market orientated' company?

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.....[2]

**(b)** Identify **two** possible disadvantages to Deco of having a wide range of products.

Disadvantage 1: .....

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Disadvantage 2: .....

.....[2]

**(c)** Deco is about to carry out some market research. It intends to use sampling to research the market. Identify and explain **two** methods of sampling that Deco could use.

Method 1: .....

Explanation: .....

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Method 2: .....

Explanation: .....

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**(d)** Deco also uses secondary market research. Identify and explain **three** reasons why the results of secondary market research might **not** always be useful to a business.

*For Examiner's Use*

Reason 1: .....

Explanation: .....

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Reason 2: .....

Explanation: .....

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Reason 3: .....

Explanation: .....

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**(e)** Deco wants to spend more on developing new products. In order to do this it will have to spend less on market research. Do you think Deco should do this? Justify your answer.

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*For Examiner's Use*

**4** Zola is the general manager of a hotel. He believes that customer service is important if guests are to enjoy their stay at the hotel. Zola manages his staff by a mixture of financial incentives, such as bonuses, and by threats. The staff are paid on a time rate basis.

**(a)** What is meant by a financial bonus?

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**(b)** Identify **two** reasons why customer service is important.

Reason 1: .....

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Reason 2: .....

.....[2]

**(c)** Identify and explain **one** advantage and **one** disadvantage of paying staff by time rate.

Advantage: .....

Explanation: .....

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Disadvantage: .....

Explanation: .....

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.....[4]

**(d)** The hotel has a high staff turnover with a large number of employees leaving their job each year. Identify and explain **three** consequences of a high staff turnover to the business.

*For Examiner's Use*

Consequence 1: .....

Explanation: .....

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Consequence 2: .....

Explanation: .....

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Consequence 3: .....

Explanation: .....

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**(e)** Do you think that financial incentives are likely to be effective in motivating staff? Justify your answer.

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*For Examiner's Use*

**5** General Auto is a large global business. The management of General Auto are looking for a country where they might open a factory.

**(a)** What is meant by a 'global business'?

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.....[2]

**(b)** Identify **two** factors that might influence General Auto's choice of country in which to locate the factory.

Factor 1: .....

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Factor 2: .....

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**(c)** Multinational companies are not always welcome in a country because they might misuse their power. Explain how pressure groups might try and influence the behaviour of such companies.

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Movements in exchange rates can cause problems for any business that trades globally. General Auto' s home country is the United States.

*For Examiner's Use*

**(d)** Identify and explain **three** consequences for General Auto of a rise in the exchange rate of the United States dollar.

Consequence 1: .....

Explanation: .....

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Consequence 2: .....

Explanation: .....

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Consequence 3: .....

Explanation: .....

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**(e)** By examining the advantages and disadvantages that multinational companies create, do you think that a Government should seek to attract these companies to their country? Justify your recommendation.

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