UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

BUSINESS STUDIES **7115/12**

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.

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1	
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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 batch production methods in its factory. Gabby has been looking at some data produced by the Finance department. This is shown in Table 1.

Table 1: Cost and output data

	$000's	
Output per week [units]	Fixed costs	Variable costs
2000	8000	4000
3000	8000	7000

(a) Calculate the cost per unit if the output of the factory is 2000 units per week.

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.....[2]

(b) Identify **two** variable costs that the business might incur.

Variable cost 1: .....

Variable cost 2: .....[2]

(c) Identify and explain **two** features of batch production.

Feature 1: .....

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Feature 2: .....

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(d) Gabby is thinking of subcontracting the manufacturing of some of the company's products to another company. Identify and explain **three** disadvantages to Gabby's company of subcontracting the manufacturing of its products.

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Disadvantage 1: .....

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Disadvantage 2: .....

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Disadvantage 3: .....

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(e) Governments sometimes pass laws to make markets more competitive. Do you think that competition always benefits consumers? Justify your answer.

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2 Company WLP is a large company providing services in country Z. Fig. 1 shows the market distribution of its sales in 2009. Table 2 shows selected financial data for the company in the same year.

For Examiner's Use

Distribution of sales for company WLP 2009

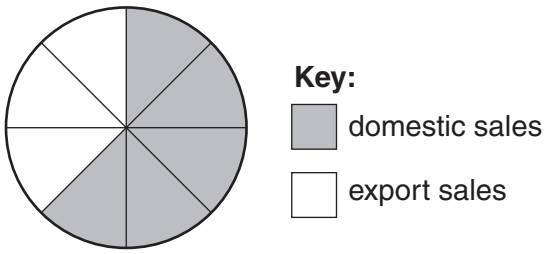


Fig. 1

Selected financial data for company WLP 2009

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

Table 2

(a) What is meant by the 'net profit margin'?

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(b) Calculate the value of export sales in 2009.

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(c) Identify and explain **two** advantages to company WLP of raising extra capital from its shareholders instead of increasing its borrowing.

Advantage 1: .....

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Advantage 2: .....

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(d) The economy of country Z is experiencing a high rate of inflation. Identify and explain **three** ways in which high inflation might affect WLP.

For Examiner's Use

Way 1: .....

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Way 2: .....

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Way 3: .....

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(e) WLP is now in financial difficulties. If WLP stops trading this will affect the interests of its stakeholders. Should the Government in country Z provide financial support in these circumstances? Justify your answer.

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For Examiner's Use

3 Halitec makes computers using flow production. It is the market leader and is well known for the quality of its products. The business is 'product orientated' and its management believe that this is the reason for its success. However, the management know that efficiency in its factory can be improved.

(a) What is meant by a business that is 'product orientated'?

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(b) What is meant by 'market leader'?

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

Advantage 1: .....

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Advantage 2: .....

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(d) Identify and explain **three** methods that Halitec could use to improve efficiency in its factory.

For Examiner's Use

Method 1: .....

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Method 2: .....

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Method 3: .....

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

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For Examiner's Use

4 Michelle is the Head Teacher of a large school. She is an autocratic leader. She believes that highly motivated teachers are very important if the school is to get good examination results. The teachers are all paid the same salary.

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

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(b) What is meant by 'highly motivated'?

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(c) Identify and explain **one** advantage and **one** disadvantage to the teachers of them all being paid the same salary.

Advantage: .....

Explanation: .....

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Disadvantage: .....

Explanation: .....

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(d) Identify and explain **three** factors that Michelle should consider when recruiting new teachers to her school.

For Examiner's Use

Factor 1: .....

Explanation: .....

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Factor 2: .....

Explanation: .....

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Factor 3: .....

Explanation: .....

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(e) Do you think that the motivation of the teachers would increase if Michelle used a democratic leadership style? Justify your answer.

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5 AVC is a private limited company that makes fashion clothing. At the moment it sells all its products to customers in its own country. However, the management of AVC is thinking of exporting goods, although it knows there are problems of entering new markets. All the workers at AVC are members of a trade union.

(a) What is meant by a 'private limited company'?

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(b) Identify **two** advantages to AVC of exporting its clothing.

Advantage 1: .....

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Advantage 2: .....

.....[2]

(c) Identify and explain **two** methods that the trade union could use to encourage the management of AVC to increase the wages of its workers.

Method 1: .....

Explanation: .....

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Method 2: .....

Explanation: .....

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.....[4]

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(d) Identify and explain **three** problems that AVC might face if it exported its clothing to other countries.

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Problem 1: .....

Explanation: .....

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Problem 2: .....

Explanation: .....

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Problem 3: .....

Explanation: .....

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(e) AVC has recently received a takeover bid from a multinational clothing manufacturer. Do you think that the stakeholders in AVC would benefit if the takeover went ahead? Justify your answer.

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