UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

1537419376

BUSINESS STUDIES **7115/11**

Paper 1 **May/June 2011**

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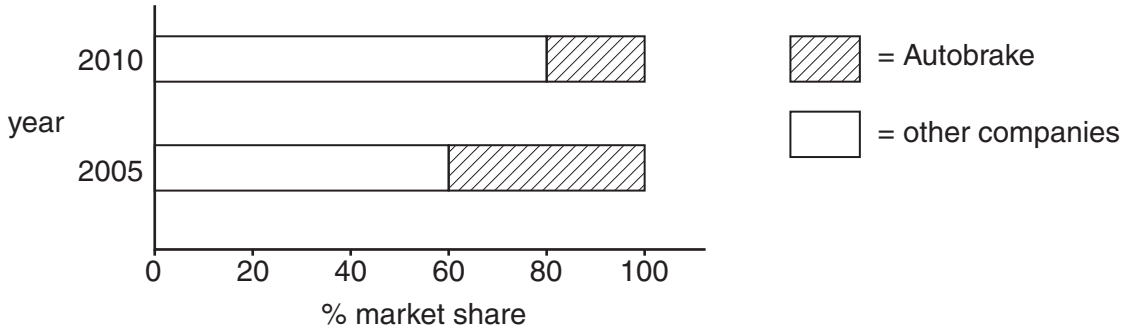
This document consists of **11** printed pages and **1** blank page.

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1 Autobrake is a business that manufactures brake systems for cars. Fig. 1 shows its market share in 2005 and 2010. The market for brake systems was worth $70m in 2010. It is likely to become an increasingly competitive market. Autobrake's management believe that the company needs to develop a wider range of products if it is to be profitable in the future.

Fig.1: Market shares for brake systems



(a) What is meant by an 'increasingly competitive market'?

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.....[2]

(b) Calculate the value of Autobrake's sales in 2010.

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.....[2]

(c) Autobrake uses flow production in its factories. Identify and explain **two** benefits of using flow production.

Benefit 1: .....

Explanation: .....

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Benefit 2: .....

Explanation: .....

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.....[4]

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(d) Identify and explain **three** possible reasons why Autobrake's market share changed between 2005 and 2010.

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Reason 1: .....

Explanation: .....

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Reason 2: .....

Explanation: .....

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Reason 3: .....

Explanation: .....

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.....[6]

(e) Do you think that investing in a wider range of products will mean that the business will become more profitable in the future? Justify your answer.

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2 The economy of country A is in recession. To deal with the problems caused by the recession, the Government has cut interest rates and reduced taxes. These changes have had a big impact on businesses in country A. The Government has also introduced laws to protect employees at work. Some people have suggested that the Government should give grants and subsidies to private sector businesses to help them survive.

(a) What is meant by the term 'recession'?

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.....[2]

(b) Identify **two** ways in which consumers might be affected by a recession.

Way 1: .....

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Way 2: .....

.....[2]

(c) Identify and explain **two** consequences of a fall in interest rates on businesses in country A.

Consequence 1: .....

Explanation: .....

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Consequence 2: .....

Explanation: .....

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.....[4]

(d) Identify and explain **three** ways by which employees can be protected at work by Government laws.

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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.....[6]

(e) Do you think that Governments should give financial support to private sector businesses to survive in a recession? Justify your answer.

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For Examiner's Use

3 Sarah set up a business as a sole trader running a nursery for small children too young to go to school. The business is successful and has opened a number of new nurseries. Sarah took on a business partner in 2007. Growth has continued and now the business has 10 nurseries in different towns and villages. Sarah is planning to open another nursery and is looking for a suitable location.

(a) What is meant by the term 'sole trader'?

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.....[2]

(b) A nursery school is classified as a tertiary sector activity. Identify **two** other examples of businesses that are also in the tertiary sector.

Example 1: .....

Example 2: .....[2]

(c) Identify and explain **two** advantages to Sarah of having a business partner.

Advantage 1: .....

Explanation: .....

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Advantage 2: .....

Explanation: .....

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.....[4]

(d) Identify and explain **three** factors Sarah should consider when choosing a suitable location for a new nursery.

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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 it would be a good idea for Sarah to continue to expand her business? Justify your answer.

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For Examiner's Use

4 Trucker is a public limited company that makes products such as tractors and construction vehicles. Table 1 gives selected information from its Balance Sheet for the last two years.

Table 1: Trucker's Balance Sheet as at 30 June

	$m			
	2009		2010	
Fixed Assets		200		225
Current Assets	150		180	
Current Liabilities	90		100	
Net Assets		260		305
Financed by:				
Long term Liabilities	200		220	
Shareholders' Funds	60		85	
Capital Employed		260		305

(a) What is meant by the term 'shareholders' funds'?

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.....[2]

(b) Identify **two** examples of Trucker's current assets.

Example 1: .....

Example 2: .....[2]

(c) Identify and explain **two** reasons why a business might have creditors.

Reason 1: .....

Explanation: .....

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Reason 2: .....

Explanation: .....

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(d) Identify and explain **three** possible reasons why Trucker's net assets increased in 2010.

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) Can the success of Trucker's business be assessed just by analysing its Balance Sheet? Justify your answer.

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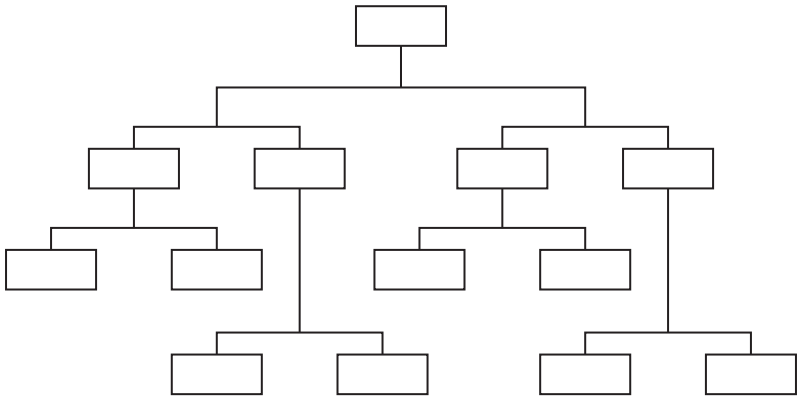
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5 Fig. 2 shows the organisational structure of ABC, a business that manufactures toys. As the business has grown, the management has found it difficult to maintain good internal communication and to control activities. ABC always recruits its senior managers from within the company.

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Fig. 2: ABC's organisational structure



(a) What is meant by the term 'internal communication'?

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.....[2]

(b) Identify **two** features of the organisational structure of ABC as shown in Fig. 2.

Feature 1: .....

Feature 2: .....[2]

(c) Identify and explain **two** reasons why managers may be reluctant to delegate tasks to employees in their organisation.

Reason 1: .....

Explanation: .....

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Reason 2: .....

Explanation: .....

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.....[4]

(d) Identify and explain **three** advantages to ABC of recruiting senior managers from within the business.

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) Recommend **two** ways in which communication could be improved in a large organisation. Justify your recommendations.

Way 1: .....

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Way 2: .....

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