UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

9974960053

BUSINESS STUDIES **7115/12**

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	
2	
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4	
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Total	

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

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1 Terfil Enterprises organises special events such as concerts and music festivals. The founder, Ceri Terfil, converted the business into a private limited company in 2004. 'We are in a niche market' said Ceri 'and have built a reputation for efficiency and low prices. I would like the business to continue to grow in the future'.

(a) What is meant by the term 'niche market'?

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(b) Identify **two** objectives that Ceri might have had for his business when he started it.

Objective 1: .....

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Objective 2: .....

.....[2]

(c) Identify and explain **two** advantages to Ceri of converting the business to a private limited company.

Advantage 1: .....

Explanation: .....

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Advantage 2: .....

Explanation: .....

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.....[4]

(d) Identify and explain **three** potential problems to Terfil Enterprises of continuing to grow in the future.

For Examiner's Use

Problem 1: .....

Explanation: .....

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Problem 2: .....

Explanation: .....

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Problem 3: .....

Explanation: .....

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(e) How important are low prices in determining the long term success of Terfil Enterprises? Justify your answer.

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2 Telefax is a business that manufactures a range of electronic products. Table 1 shows selected information from its latest Balance Sheet.

For Examiner's Use

Table 1: Balance Sheet Telefax as at 30 June

	$m			
	2009		2010	
Fixed Assets		30		40
Current Assets	16		24	
Current Liabilities	16		20	
Net Assets		30		44
Financed by:				
Long term Liabilities	10		20	
Shareholders' Funds	20		24	
Capital Employed		30		44

(a) What is meant by the term 'fixed assets'?

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(b) Identify **two** examples of Telefax's current liabilities.

Example 1: .....

Example 2: .....[2]

(c) Identify and explain **two** reasons why most businesses have debtors.

Reason 1: .....

Explanation: .....

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Reason 2: .....

Explanation: .....

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.....[4]

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(d) Identify and explain **three** reasons why Telefax's bank manager might want to see the accounts of the 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) Do you think that the financial position of Telefax has improved in 2010? Justify your answer.

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For Examiner's Use

3 Kemptown Fried Chicken is a chain of fast food restaurants. The business is unsuccessful because it is badly managed. There is no organisational structure. Job tasks and roles are unclear. The workers are demotivated and low paid. Communication in the business is poor and meetings are rarely held because the management think they are 'a non-productive use of time'.

(a) What is meant by the term 'organisational structure'?

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(b) What is meant by 'communication in the business is poor'?

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(c) Identify and explain **two** advantages of delegating tasks in an organisation.

Advantage 1: .....

Explanation: .....

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Advantage 2: .....

Explanation: .....

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(d) Identify and explain **three** reasons why meetings between managers and workers can benefit the 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) How effective is money in motivating workers? Justify your answer.

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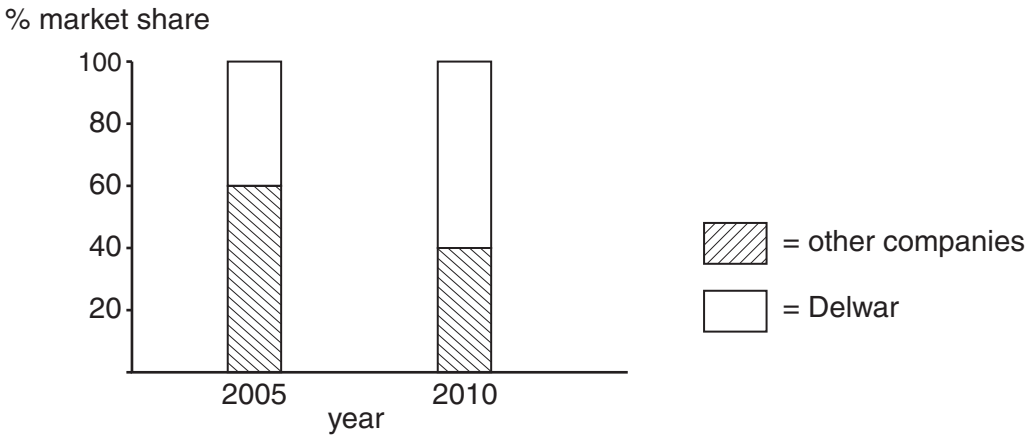
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4 Delwar makes car tyres. The business is located in country Z. At present, all its sales are to customers in country Z. Delwar is the market leader in this country. Fig. 1 gives data regarding its market share. The total value of car tyre sales in country Z in 2010 was $50m. This market is no longer growing. The Managing Director of Delwar thinks that exporting tyres is the way forward. There will be both costs and benefits of exporting tyres.

Fig. 1: Bar chart showing market share



(a) What is meant by the term 'market leader'?

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

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(c) Identify and explain **two** possible reasons why the market for car tyres in country Z is no longer growing.

Reason 1: .....

Explanation: .....

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Reason 2: .....

Explanation: .....

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(d) Identify and explain **three** methods Delwar could use to increase its market share in country Z.

For Examiner's Use

Method 1: .....

Explanation: .....

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Method 2: .....

Explanation: .....

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Method 3: .....

Explanation: .....

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(e) Do you think Delwar's profits would increase if the business were to export its tyres? Justify your answer.

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5 Extracto is a multinational mining business. It has recently found mineral deposits in country X. The Managing Director hopes that the deposits found are large enough for them to make a good profit. Some pressure groups in country X think that Extracto has only considered the financial benefits of its plans and has ignored the social costs.

(a) What is meant by a 'financial benefit'?

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(b) Identify **two** examples of social costs that extraction of minerals might create.

Example 1: .....

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Example 2: .....

.....[2]

(c) Identify and explain **two** ways in which pressure groups could influence Extracto's decisions.

Way 1: .....

Explanation: .....

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Way 2: .....

Explanation: .....

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(d) Identify and explain **three** factors that Extracto should consider before deciding whether to begin mining in country X.

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) Governments often aim to attract multinational companies into their countries. Do you think that they should do this? Justify your answer.

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