UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

8482319100

BUSINESS STUDIES **7115/11**

Paper 1 **May/June 2012**

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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For Examiner's Use

1 IRKAM is a company that produces high quality doors for hotels and offices. The company currently uses job production. The Managing Director, Abdul, believes that quality control is important. He is looking for ways to increase productivity. All workers receive on-the-job training. Abdul is thinking of including off-the-job training as well.

(a) What is meant by 'productivity'?

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..... [2]

(b) What is meant by 'on-the-job training'?

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..... [2]

(c) Identify and explain **one** advantage and **one** disadvantage of off-the-job training for IRKAM.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

..... [4]

(d) Identify and explain **two** reasons why quality control might be important to IRKAM.

For Examiner's Use

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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..... [6]

(e) Over the past three years there has been a large increase in demand for IRKAM's doors. Do you think job production is still the best method of production for IRKAM? Justify your answer.

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For Examiner's Use

2 Sunil is a sole trader. He likes owning a small business. His shop sells low price raincoats. Sales vary throughout the year. The market for raincoats is competitive, but as Sunil makes a profit he doesn't think competition is a problem for his business. In order to protect consumers, the Government of Sunil's country has recently introduced new laws to protect consumers.

(a) What is meant by 'profit'?

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..... [2]

(b) Identify **two** factors which could affect demand for Sunil's products.

Factor 1: .....

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Factor 2: .....

..... [2]

(c) Identify and explain **two** reasons why profit is important to small businesses like Sunil's.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **one** way in which consumer protection laws might affect Sunil's business and **one** way consumer protection laws might affect his customers.

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Way consumer laws affect Sunil's business: .....

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Explanation: .....

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Way consumer laws affect Sunil's customers: .....

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Explanation: .....

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(e) Do you think the advantages of owning a small business are greater than the disadvantages for Sunil? Justify your answer.

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For Examiner's Use

3 The Government of country H is concerned about the effect of business activity on the environment. It wants to encourage sustainable development. To do this, it is planning to introduce laws to encourage environmentally-friendly production methods. A number of businesses will be affected by these new laws.

The Government of country H has collected the data shown in Table 1. Gross Domestic Product (GDP) measures the value of the total output produced in a country in one year. The GDP of country H has risen from $625m in 2000 to $825m in 2011.

Table 1: Percentage of GDP by different sectors

	% of GDP	
	2000	2011
Primary sector	35	15
Secondary sector	40	25
Tertiary sector	25	60

(a) What is meant by 'tertiary sector'?

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..... [2]

(b) What is meant by 'sustainable development'?

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..... [2]

(c) Identify and explain **two** changes between 2000 and 2011 that are shown in Table 1.

Change 1: .....

Explanation: .....

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Change 2: .....

Explanation: .....

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..... [4]

(d) Identify and explain **three** ways a Government could encourage more businesses to set up in its country.

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 all businesses will be affected by the introduction of the new laws to encourage environmentally-friendly production methods? Justify your answer.

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For Examiner's Use

4 Rapid Call is a private limited company. It manufactures a range of cell (mobile) phones. The demand for these is increasing. Its products have several special features that are not available from other phone manufacturers. It sells its products directly to retail shops. Rapid Call uses competitive pricing for all products. The Finance Director has been looking at the accounts. A summary is shown in Table 2. In 2011 the gross profit margin was 40%.

Table 2: Profit/Loss Account for Rapid Call for year ending 30 April 2012 ($000s)

Sales	450
Cost of Sales	300
Gross Profit	150
Overheads	95
Net Profit	55

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

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..... [2]

(b) Calculate the gross profit margin for the year ending 30 April 2012.

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..... [2]

(c) Identify and explain **two** ways in which Rapid Call's Finance Director could use the information in Table 2.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

..... [4]

(d) The Marketing Director is thinking about changing the channel of distribution. Identify and explain **three** factors that Rapid Call should consider when choosing a suitable channel of distribution.

For Examiner's Use

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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Factor 3: .....

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Explanation: .....

..... [6]

(e) How important is increased competition in influencing the marketing strategy of Rapid Call? Justify your answer.

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For Examiner's Use

5 Favell is a woodworker. He is planning to set up his own woodworking business. He plans to use marketing to help his business become established in the local area. Favell thinks cash flow will be a problem because his business will have a lot of cash outflows. A friend has suggested he prepares a cash flow forecast.

(a) What is meant by 'marketing'?

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..... [2]

(b) Identify **two** possible cash outflows for Favell's business.

Cash outflow 1: .....

Cash outflow 2: ..... [2]

(c) Identify and explain **two** benefits for any business of preparing a cash flow forecast.

Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

..... [4]

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(d) Favell is looking at various methods of promotion for his business. Identify and explain **three** suitable methods of promotion that Favell could use to attract customers.

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Method 1: .....

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Explanation: .....

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Method 2: .....

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Explanation: .....

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Method 3: .....

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Explanation: .....

..... [6]

(e) Favell needs $10 000 to buy a motor vehicle so that he can carry all his equipment. He is planning to ask the bank for an overdraft. Do you think this is the most suitable source of finance for him to choose? Justify your answer.

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