UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

9645368855

BUSINESS STUDIES **7115/11**

Paper 1 **May/June 2013**

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.

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

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For Examiner's Use

1 Kew Construction is a public limited company. It specialises in building large houses. Each house costs $30 000 to build and the company adds 40% to total cost to calculate the selling price. Last year sales fell by $90m and dividends were reduced. The Human Resources Director is worried: 'If sales do not improve, I will need to make some workers redundant. How can I decide which workers to make redundant?'

(a) What is meant by 'dividends'?

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(b) Calculate the selling price of **one** house.

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(c) Identify and explain **two** disadvantages to a business of being a public limited company.

Disadvantage 1: .....

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Explanation: .....

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Disadvantage 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **three** methods that Kew Construction could use to improve its level of sales.

For Examiner's Use

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) What do you think are the most important factors for the Human Resources Director to consider when selecting which workers to make redundant? Justify your answer.

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For Examiner's Use

2 Gayle's Soaps is a business which manufactures health and beauty products. Its market share has remained constant at 15% despite new businesses entering this market. The business uses market segmentation. Most of its customers are women. The Marketing manager believes the company could increase its profits if it increases the price of each of its most popular products.

(a) What is meant by 'market share'?

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.....[2]

(b) Identify **two** ways (other than gender) that Gayle's Soaps could segment its market.

Way 1: .....

Way 2:.....[2]

(c) Identify and explain **two** advantages of market segmentation for Gayle's Soaps.

Advantage 1: .....

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Explanation:.....

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Advantage 2: .....

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Explanation:.....

.....[4]

(d) Identify and explain **three** problems that a business might have when trying to enter a new market.

For Examiner's Use

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

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Problem 3: .....

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Explanation: .....

.....[6]

(e) Do you think that if Gayle's Soaps decides to increase prices then this will lead to higher profits? Justify your answer.

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For Examiner's Use

3 Sharma Machine manufactures motorcycles. The company is product orientated. Sharma Machine holds a lot of stock. The owner, Ishant, wants to increase productivity. Also the company plans to open an additional factory to satisfy increased demand. 'Expansion should mean economies of scale' said Ishant. 'The right location for the new factory is going to be important if the business is to remain competitive.'

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

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.....[2]

(b) Identify **two** possible economies of scale the business might benefit from if it expands.

Economy of scale 1: .....

Economy of scale 2: .....[2]

(c) Identify and explain **two** possible problems for Sharma Machine of holding a lot of stock.

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **three** methods that Ishant could use to increase productivity.

For Examiner's Use

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) How important is the right location for the new factory in helping Sharma Machine to remain competitive? Justify your answer.

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For Examiner's Use

4 Luxury Destinations owns three hotels in country X. The business spends a lot of money on staff training. The Finance Director is pleased with the financial position of the business. 'However, the appreciation of our country's currency and the Government's plan to increase taxes might cause problems to our business in the future' he said.

Table 1: Luxury Destinations financial information ($000s)

	2011	2012
Gross profit	195	220
Net profit	30	60
Fixed assets	300	350
Current assets	60	50
Current liabilities	60	75

(a) What is meant by 'appreciation of our country's currency'?

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(b) Calculate the current ratio in 2012.

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(c) Identify and explain **two** problems that an increase in taxes could cause for Luxury Destinations.

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **three** benefits for Luxury Destinations of training its employees.

For Examiner's Use

Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

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Benefit 3: .....

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Explanation: .....

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(e) Do you think the Finance Director is right to be pleased with the financial position of the business? Justify your answer.

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For Examiner's Use

5 AM Designs is a private sector business. It makes dresses. It is a successful business because it adds value. Amira is directly responsible for a team of 12 people. 'I want to keep a short chain of command but I do need a manager to help me. I must find someone with the right qualities. All of my team are highly motivated and someone with the wrong management style might cause problems.'

(a) What is meant by the 'private sector'?

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(b) Identify **two** ways that a business could increase added value.

Way 1:.....

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Way 2:.....

.....[2]

(c) Identify and explain **two** advantages of a short chain of command for Amira.

Advantage 1: .....

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Explanation:.....

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Advantage 2: .....

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Explanation:.....

.....[4]

(d) Identify and explain **three** qualities that Amira might look for in a manager.

For Examiner's Use

Quality 1: .....

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Explanation: .....

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Quality 2: .....

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Explanation: .....

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Quality 3: .....

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Explanation: .....

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(e) Do you think that the management style of the new manager might cause problems? Justify your answer.

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