UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

2669864272

BUSINESS STUDIES **7115/12**

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 Brakker is a public limited company which specialises in building large boats. Each boat costs $4m to build and the company adds 30% to the total cost to calculate the selling price. 'Last year profits fell – but this happens in a recession' said the Finance Director. 'Yes, I am worried. If we cannot get more orders we will have to make some of our skilled workers redundant.' All Brakker workers are members of a trade union.

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

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.....[2]

(b) Calculate the selling price of a boat.

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.....[2]

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

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **three** benefits to Brakker's workers of being members of a trade union.

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: .....

.....[6]

(e) Do you think it is a good idea for Brakker to make some of its skilled workers redundant during a recession? Justify your answer.

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For Examiner's Use

2 B&G manufactures a popular hair shampoo called Slick. The Managing Director thinks that Slick is near the end of its product life cycle. He believes it would be better to use extension strategies rather than develop a new product. The Operations Director thinks quality control can help the business comply with new consumer protection laws.

(a) What is meant by 'quality control'?

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.....[2]

(b) Identify **two** stages of the product life cycle.

Stage 1: .....

Stage 2: .....[2]

(c) Identify and explain **two** ways in which consumer protection laws could benefit B&G's customers.

Way 1: .....

.....

Explanation: .....

.....

Way 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **three** possible problems for B&G when developing a new product.

For Examiner's Use

Problem 1: .....

.....

Explanation: .....

.....

Problem 2: .....

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Explanation: .....

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Problem 3: .....

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Explanation: .....

.....[6]

(e) Explain **two** possible extension strategies that B&G could use for Slick. Recommend which strategy the company should use. Justify your answer.

Strategy 1: .....

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Strategy 2: .....

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Recommendation: .....

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.....[6]

For Examiner's Use

3 Emir is the Production manager at a large food production factory. He wants to lower average cost to help the business remain competitive. All workers are paid using time rate. Emir believes that good internal communication is important. The company has decided to stop importing raw materials as this causes a lot of problems. Emir must choose a suitable method of communication to tell the overseas suppliers of his decision.

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

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.....[2]

(b) Identify **two** suitable methods of communication Emir could use to tell the overseas suppliers of his decision to stop importing raw materials.

Method 1: .....

Method 2: .....[2]

(c) Identify and explain **two** payment methods for workers that this business could use (other than time rate).

Method 1: .....

Explanation: .....

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Method 2: .....

Explanation: .....

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.....[4]

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(d) Identify and explain **two** possible problems of importing raw materials for this food production business.

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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.....[6]

(e) Explain **two** ways in which the Production manager could reduce average cost. Recommend which way should be used. Justify your answer.

Way 1: .....

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Way 2: .....

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Recommendation: .....

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For Examiner's Use

4 Belshire Books owns a number of shops. The Finance manager is worried about the financial position of the company. An extract of the accounts is shown in Table 1. Belshire Books is facing increased competition from online booksellers selling through the Internet.

Table 1: Extract from Belshire Books accounts ($000s)

	2011	2012
Net profit	50	30
Current assets	50	60
Current liabilities	50	50
Capital Employed	500	500

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

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.....[2]

(b) Calculate the current ratio in 2012.

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(c) Identify and explain **two** ways in which Belshire Books could improve profitability.

Way 1: .....

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Way 2: .....

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.....[4]

(d) Identify and explain **two** problems that competition from online (Internet) booksellers could cause for Belshire Books.

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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.....[6]

(e) Do you think that the Finance manager is right to be worried about the financial position of the business? Justify your answer.

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For Examiner's Use

5 ANZ is a large multinational company which manufactures aeroplanes. Growth is an important objective for the company. ANZ wants to start producing in country P for the first time. The new factory will operate for 24 hours a day. A pressure group in country P believes that all business activity is bad for the environment. It wants the Government to do more to control business activity.

(a) What is meant by 'pressure group'?

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.....[2]

(b) Identify **two** measures a Government could use to control business activity.

Measure 1: .....

Measure 2:.....[2]

(c) Identify and explain **two** reasons why objectives are important to businesses such as ANZ.

Reason 1: .....

.....

Explanation: .....

.....

Reason 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **three** advantages for country P of ANZ's decision to open a new factory.

For Examiner's Use

Advantage 1: .....

.....

Explanation: .....

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Advantage 2: .....

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Explanation: .....

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Advantage 3: .....

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Explanation: .....

.....[6]

(e) Do you think that all business activity is bad for the environment? Justify your answer.

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