Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

4650698905

BUSINESS STUDIES **7115/11**

Paper 1 **May/June 2014**

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, 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.

© UCLES 2014

CAMBRIDGE
International Examinations

[Turn over

1 Anouk is a sole trader. She designs and makes jewellery at home, using hired (rented) equipment. Anouk enjoys selling the jewellery at local markets. Last year her sales revenue increased by $500 to $3000. She plans to use $50 for a marketing budget. Anouk would like to do some primary market research when she has time. Anouk thinks she should have a business partner.

(a) What is meant by a 'marketing budget'?

.....

.....

.....

.....[2]

(b) Identify **two** methods of primary market research that Anouk could use.

Method 1: .....

Method 2: .....[2]

(c) Identify and explain **two** possible advantages for Anouk of **hiring** equipment.

Advantage 1: .....

.....

Explanation: .....

.....

Advantage 2: .....

.....

Explanation: .....

.....[4]

© UCLES 2014

(d) Identify and explain **two** disadvantages to Anouk of having a business partner.

Disadvantage 1: .....

.....

Explanation: .....

.....

.....

.....

Disadvantage 2: .....

.....

Explanation: .....

.....

.....

.....[6]

(e) Anouk could use either leaflets or local newspaper advertising as methods of promoting her jewellery. Recommend which method you think Anouk should use. Justify your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....[6]

2 Keypeople is a recruitment agency which only operates in one small town in country Z. Its owner, Rachel, and her two employees know that good customer service is important. Rachel would like to expand her business. Keypeople offers a variety of human resource services to other businesses, such as recruiting employees and preparing employment contracts. Rachel has been asked by a local manufacturing business to recruit a senior manager.

(a) Identify **two** examples of tertiary sector business activity in your country, other than a recruitment agency.

Example 1: .....

Example 2: .....[2]

(b) Identify **two** reasons why good customer service is important for Keypeople.

Reason 1: .....

.....

Reason 2: .....

.....[2]

(c) Identify and explain **two** reasons why employment contracts are used by businesses.

Reason 1: .....

.....

Explanation: .....

.....

Reason 2: .....

.....

Explanation: .....

.....[4]

© UCLES 2014

(d) Identify and explain **two** stages in the **recruitment process** of the manager's job for the manufacturing business.

Stage 1: .....

Explanation: .....

.....

.....

.....

.....

Stage 2: .....

Explanation: .....

.....

.....

.....

.....[6]

(e) Do you think Rachel should expand Keypeople? Justify your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....[6]

3 HPT makes frozen food products. The Finance Director wants to improve HPT's cash flow position. Table 1 is an incomplete cash flow forecast for the next 3 months. The Finance Director thinks HPT should not use expensive packaging. He is also worried that new Government health & safety laws will not benefit the company and will only add to its costs.

Table 1: Cash flow forecast ($000's)

	Month 1	Month 2	Month 3
Opening balance	(50 000)	(30 000)	(40 000)
Cash inflows	200 000	180 000	200 000
Cash outflows:			
Wages	60 000	60 000	60 000
Packaging	20 000	20 000	20 000
Raw materials	45 000	55 000	45 000
Fixed costs	55 000	55 000	55 000
Total cash outflows	X	190 000	180 000
Net cash flow	20 000	Y	20 000
Closing balance	(30 000)	(40 000)	(20 000)

Note: numbers in brackets are negative.

(a) Identify **two** fixed costs that HPT might have.

Fixed cost 1: .....

Fixed cost 2: .....[2]

(b) Calculate the following.

Month 1 total cash outflows (X): .....

.....

Month 2 net cash flow (Y): .....

.....[2]

(c) Identify and explain **two** benefits to HPT of having a cash flow forecast. You should refer to Table 1 in your answer.

Benefit 1: .....

.....

Explanation: .....

.....

Benefit 2: .....

.....

Explanation: .....

.....[4]

© UCLES 2014

(d) Identity and explain **two** reasons why packaging might be important for HPT.

Reason 1: .....

.....

Explanation: .....

.....

.....

.....

Reason 2: .....

.....

Explanation: .....

.....

.....

.....[6]

(e) The Finance Director is worried that new Government health & safety laws will not benefit the company and will only add to its costs. Do you agree? Justify your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....[6]

4 The economy of country U is in recession. The Government has cut interest rates to attract businesses to set up in country U. JWR is a large multinational energy company. JWR may decide to open a power station in country U. The Government thinks that opening a new power station will create many external benefits. Some pressure groups do not want companies like JWR operating in their country.

(a) Identify **two** features of a recession.

Feature 1: .....

.....

Feature 2: .....

.....[2]

(b) Identify **two** effects of a cut in interest rates on businesses like JWR.

Effect 1: .....

.....

Effect 2: .....

.....[2]

(c) Identify and explain **two** actions that pressure groups could use to influence JWR's decision.

Action 1: .....

.....

Explanation: .....

.....

Action 2: .....

.....

Explanation: .....

.....[4]

© UCLES 2014

(d) Identify and explain **two** external benefits as a result of opening a new power station in country U.

External benefit 1: .....

.....

Explanation: .....

.....

.....

.....

External benefit 2: .....

.....

Explanation: .....

.....

.....

.....[6]

(e) Do you think that the Government of country U should try to attract multinational businesses? Justify your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

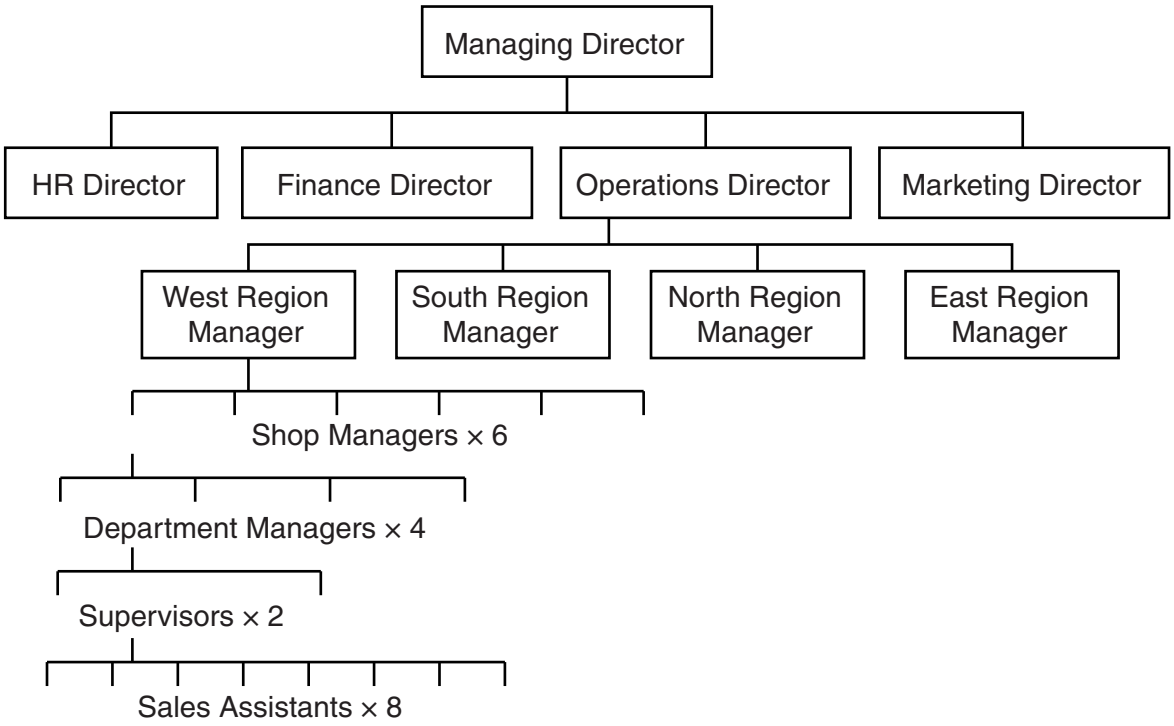
.....

.....

.....[6]

5 Callow is a large retail business based in country X. 'Our employees are an important stakeholder', said the Managing Director. 'To make sure we stay profitable we need to motivate them.' Callow trains all of its shop employees by using off the job training.

Fig. 1: Callow Organisation Structure



(a) Identify **two** stakeholder groups, other than employees.

Stakeholder group 1: .....

Stakeholder group 2: .....[2]

(b) Identify **two** functions of management that each shop manager will have to perform.

Function 1: .....

Function 2: .....[2]

(c) Identify and explain **two** features of Callow's organisational structure.

Feature 1: .....

Explanation: .....

.....

.....

Feature 2: .....

Explanation: .....

.....

.....[4]

© UCLES 2014

(d) Identify and explain **two** possible methods that Callow could use to improve the motivation of its employees.

Method 1: .....

.....

Explanation: .....

.....

.....

.....

Method 2: .....

.....

Explanation: .....

.....

.....

.....[6]

(e) Do you think it is a good idea for Callow to use off the job training for all its shop employees? Justify your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....[6]

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2014