Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME	
CENTRE NUMBER	
CANDIDATE NUMBER	

1032974534

BUSINESS STUDIES **7115/11**

Paper 1 **May/June 2015**

1 hour 30 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name in the spaces at the top of this page.
Write in dark blue or black pen.
You may use an HB pencil for any diagrams, graphs or rough working.
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.
The total number of marks for this paper is 80.

This document consists of **9** printed pages and **3** blank pages.

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1 Gomez is the manager of a small computer repair business. Table 1 shows some costs and prices for his business. As it is a competitive market, Gomez knows it is important to maintain customer loyalty and revenue. Gomez knows that a lower break-even point would help improve profits. He thinks the best way to lower the break-even point is to raise prices.

Table 1: Cost and price information

Price per customer	$30
Variable cost per customer	$20
Average number of customers per month	140
Monthly fixed costs	$1000

(a) What is meant by 'revenue'?

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..... [2]

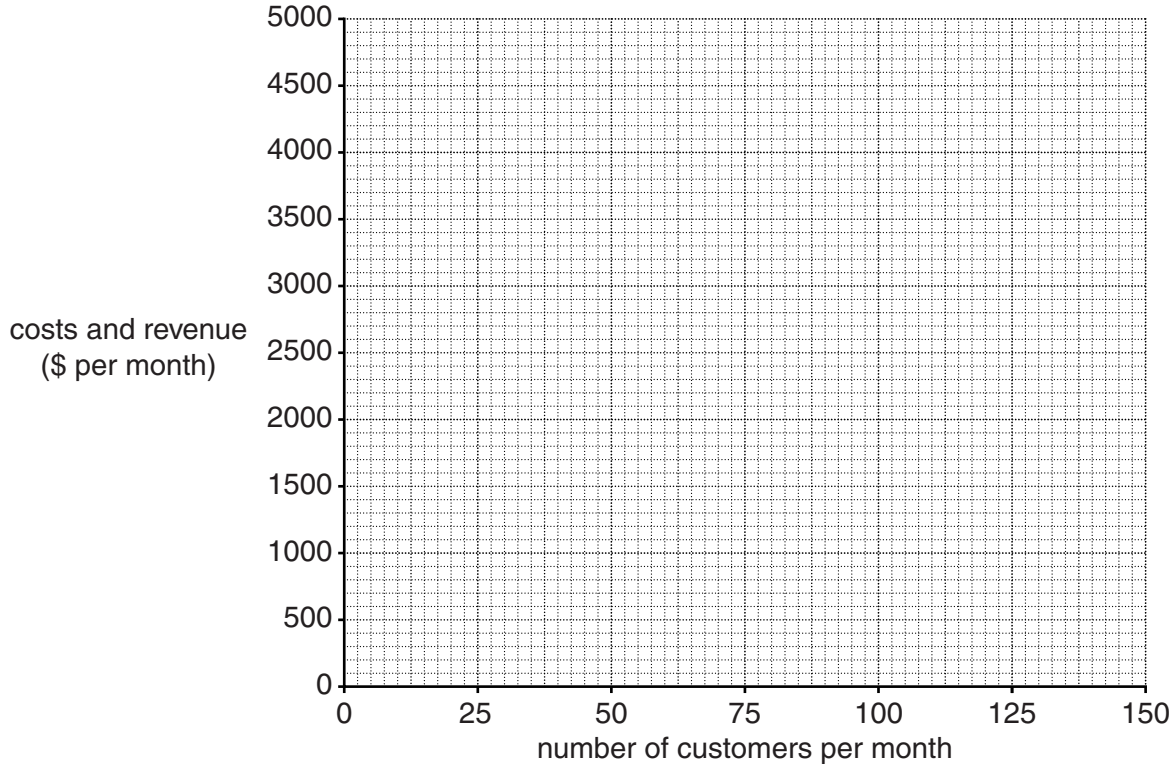
(b) What is meant by 'variable cost'?

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..... [2]

(c) Using the information in Table 1, draw a break-even chart for Gomez's business. [4]



(d) Identify and explain **two** methods that Gomez could use to maintain customer loyalty.

Method 1: .....

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Explanation: .....

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Method 2: .....

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Explanation: .....

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..... [6]

(e) Gomez thinks the best way to lower the break-even point is to raise prices. Do you agree? Justify your answer.

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2 Country S is enjoying an economic boom. During this time, businesses have increased their profits and unemployment has fallen. The only problem is inflation. All Active is a private limited company. It owns 20 sport and fitness clubs in country S. The Managing Director said: 'This is a good time to expand by opening 5 more clubs. Finding the right locations is important. We will need to recruit more employees.' He cannot decide whether it would be an advantage for All Active to become a public limited company.

(a) Identify **two** stages of the recruitment process.

Stage 1: .....

Stage 2: ..... [2]

(b) What is meant by an 'economic boom'?

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..... [2]

(c) Explain how falling unemployment might affect All Active.

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(d) Identify and explain **two** factors that All Active should consider when deciding on the location of the new clubs.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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(e) Consider the advantages and disadvantages for All Active of being converted to a public limited company. Do you think All Active should become a public limited company? Justify your answer.

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3 Si and Ramon are friends. They want to set up a photography business. They would take pictures at weddings, birthdays and other special events. The business will be a partnership. Based on their primary market research, Si believes there is enough demand. Ramon has produced a business plan which shows they need $8000 for a shop and $4000 for equipment. They plan to spend $500 on promotion, but cannot agree on the best method to use.

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

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..... [2]

(b) Identify **two** methods of primary market research that Si and Ramon might have used.

Method 1: .....

Method 2: ..... [2]

(c) Identify and explain **two** possible sources of finance that they could use to obtain the equipment.

Source 1: .....

Explanation: .....

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Source 2: .....

Explanation: .....

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..... [4]

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(d) Identify and explain **two** advantages to Si and Ramon of having a business plan.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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(e) Consider **two** methods of promotion that would be suitable for Si and Ramon to use. Which of these two methods would be the most appropriate? Justify your answer.

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4 Javid is a company that manufactures a range of luxury chocolates using batch production. Over the past year, profit has fallen due to increased competition. In order to cut costs, the Finance Director has suggested the company introduces new technology into the production process. The Human Resources Director is not sure that workers would benefit from the introduction of new technology.

(a) What is meant by 'batch production'?

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..... [2]

(b) Identify **two** advantages (other than cutting costs) to the company of using new technology.

Advantage 1: .....

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Advantage 2: .....

..... [2]

(c) Identify and explain **two** reasons why the quality of chocolates might be important to this company.

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 **two** problems that a fall in profit might cause for the company.

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

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(e) Do you think that the introduction of new technology would benefit Javid's workers? Justify your answer.

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