Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME	
CENTRE NUMBER	
CANDIDATE NUMBER	

7798208514

BUSINESS STUDIES **7115/12**

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 **10** printed pages and **2** blank pages.

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CAMBRIDGE
International Examinations

[Turn over

1 PJK makes a range of luxury sports watches. Each watch is handmade by skilled workers. Quality assurance is important. The Operations Director has been looking at costs and prices as he wants to do a break-even analysis. This data is shown in Table 1. He is planning to invest in new technology to automate parts of the production process. The Operations Director thinks this is the best way to improve profitability.

Table 1: Costs and revenue ($)

Price per watch	$100
Variable cost per watch	$50
Annual sales	6000
Annual fixed costs	$200 000

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

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..... [2]

(b) Identify **two** ways in which break-even analysis might be helpful to PJK.

Way 1: .....

.....

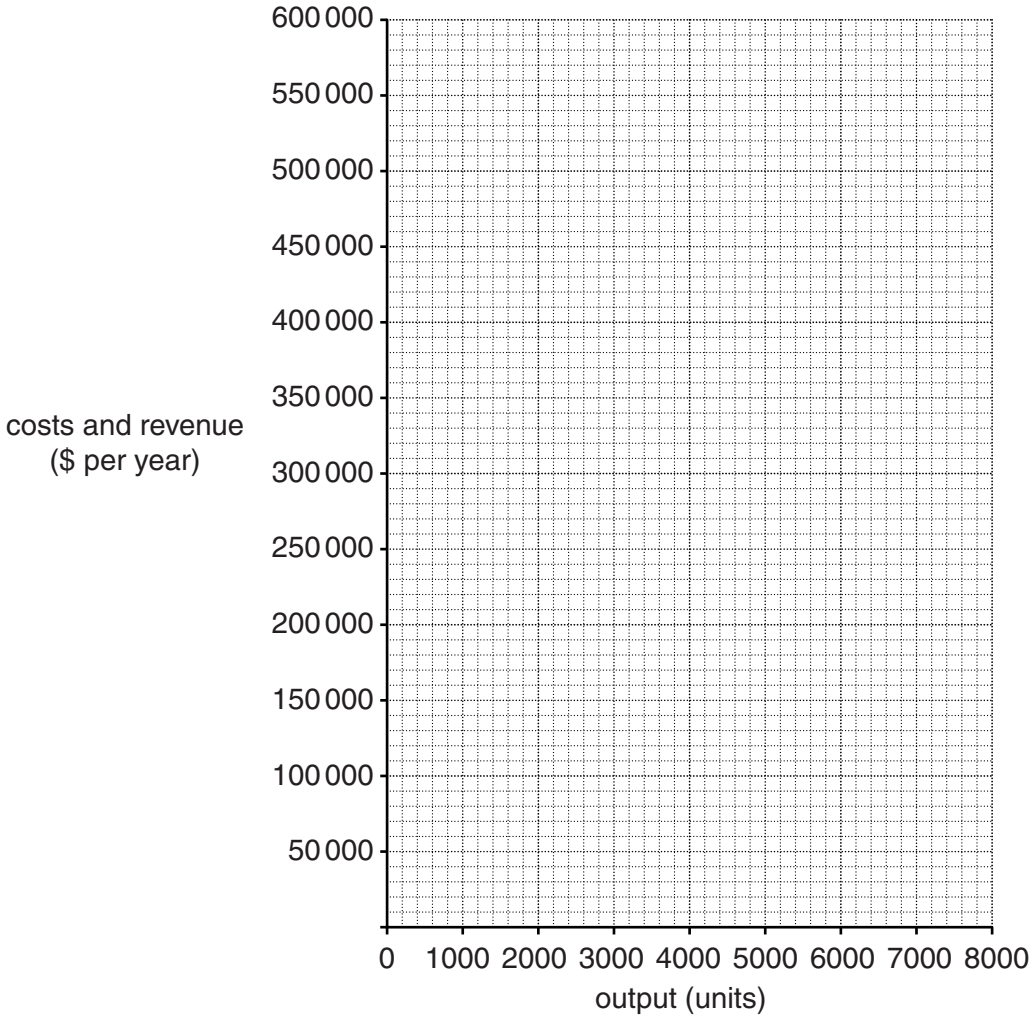
Way 2: .....

..... [2]

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(c) Using the information in Table 1, draw a break-even chart for PJK on Figure 1. [4]

Figure 1



(d) Identify and explain **two** advantages to PJK of having skilled workers.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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..... [6]

(e) Do you think that investing in new technology is the best way to improve profitability at PJK? Justify your answer.

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..... [6]

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[Turn over

2 Alkin is a multinational company. It manufactures breakfast food products including many leading brands of cereal. Alkin plans to start selling in country Z, which is a fast-growing market. Alkin plans to form a joint venture with a local business, based in country Z. 'Effective communication will be important to our success but I think there are many advantages in expanding this way' said Alkin's Managing Director. The Government of country Z is worried about the effect of multinational companies like Alkin on consumers.

(a) What is meant by a 'multinational company'?

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..... [2]

(b) What is meant by a 'brand'?

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..... [2]

(c) Identify and explain **two** reasons why effective communication might be important for Alkin.

Reason 1: .....

.....

Explanation: .....

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Reason 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** advantages to Alkin of using a joint venture to expand into country Z.

Advantage 1: .....

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Explanation: .....

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Advantage 2 .....

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Explanation: .....

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..... [6]

(e) Do you think that the Government in country Z is right to be worried about the effect of multinational companies such as Alkin on consumers? Justify your answer.

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3 Mabel wants to set up her own hairdressing business. She will need to build good customer relationships. She has done some secondary market research to find out possible demand and what methods of promotion to use. She has decided to buy her inventory (stock) from a wholesaler. Mabel is now looking for the right location for her business. She thinks that location will be more important than price charged to the success of her business.

(a) Identify **two** ways that a business could build good customer relationships.

Way 1: .....

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Way 2: .....

..... [2]

(b) What is meant by 'secondary market research'?

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..... [2]

(c) Identify and explain **two** methods of promotion (other than promotional pricing) that Mabel might use.

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 disadvantages to Mabel of buying her inventory from a wholesaler.

Disadvantage 1: .....

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Explanation: .....

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Disadvantage 2: .....

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Explanation: .....

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..... [6]

(e) Do you think that the right location is more important than the prices she charges to the success of Mabel's business? Justify your answer.

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4 A2Z is a small but successful airline company in country B, providing flights for business people. The management of A2Z wants the business to expand. It will have to buy more aeroplanes and recruit more airline pilots. The Human Resources manager has produced a job description for the pilots. She is now ready to advertise for the new pilots. She believes the best way for A2Z to motivate its pilots is to use financial rewards.

(a) Identify **two** possible reasons why A2Z might want to expand.

Reason 1: .....

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Reason 2: .....

..... [2]

(b) Identify **two** factors that A2Z should consider when choosing a source of finance to buy more aeroplanes.

Factor 1: .....

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Factor 2: .....

..... [2]

(c) Identify and explain **two** advantages to A2Z of producing a job description.

Advantage 1: .....

.....

Explanation: .....

.....

Advantage 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** suitable ways A2Z could use to advertise the new jobs.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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..... [6]

(e) Do you think that using financial rewards is the best way for A2Z to motivate its pilots? Justify your answer.

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