Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME	
CENTRE NUMBER	CANDIDATE NUMBER

9212804226

BUSINESS STUDIES **7115/11**

Paper 1 **May/June 2016**

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.

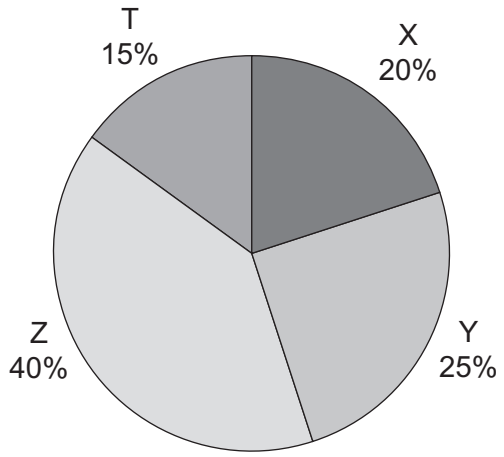
This document consists of **9** printed pages and **3** blank pages.

CAMBRIDGE
International Examinations

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[Turn over

1 EDGE makes mobile (cell) phones. It operates in a competitive market. The Marketing manager believes that because EDGE is good at maintaining customer loyalty demand for its phones is price inelastic. Its best selling product, Z, is near the end of its product life cycle. The Marketing manager has to decide whether to spend money on developing new products or use extension strategies for product Z.



Total quantity sold: 800 000

Fig. 1: EDGE – quantity sold by product type in 2015

(a) What is meant by 'customer loyalty'?

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..... [2]

(b) Calculate the quantity of product Z sold in 2015.

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..... [2]

(c) Explain the possible effect on EDGE if the prices of its products are reduced.

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..... [4]

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(d) Identify and explain **two** advantages to EDGE of developing new products.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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..... [6]

(e) Explain **two** extension strategies that EDGE could use for product Z. Recommend which one of the two strategies it should choose. Justify your answer.

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2 Bushall is a farm. This primary sector business grows award-winning fruits such as pineapples and bananas. Bushall has 10 full-time and 50 part-time employees. All part-time job vacancies are advertised on its website. The Government has introduced legal controls for employment including a minimum wage of $8.50 per hour and a limit on the number of hours an employee can work each week. The farm manager has said to Bushall's owners: 'Taylor's theory of motivation might not work. Our team of employees enjoy what they do. These laws are not good for our employees or our business!'

(a) Identify **two** examples (other than farming) of business activity in the primary sector.

Example 1: .....

Example 2: ..... [2]

(b) Identify **two** ways (other than its website) that Bushall could use to advertise job vacancies.

Way 1: .....

Way 2: ..... [2]

(c) Identify and explain **two** possible reasons why 'Taylor's theory of motivation might not work' at Bushall.

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** advantages to Bushall of having **part-time** employees.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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(e) Do you think that the new legal controls for employment will benefit Bushall's employees? Justify your answer.

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3 Rafiq is the Operations manager at a small factory. The business makes a range of soft drinks using batch production. Last year Rafiq successfully introduced just-in-time inventory control, based on an idea from one of the 40 employees. As the business is planning to expand, Rafiq thinks it would be a good idea to change to flow production.

Table 1: Income statement for 2015 ($000)

Revenue	**X**
Cost of sales	360
Gross profit	240
Expenses	**Y**
Profit	120
Retained profit	100

(a) What is meant by 'cost of sales'?

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..... [2]

(b) Refer to Table 1. Calculate:

X .....

Y ..... [2]

(c) Identify and explain **two** possible reasons why profit is important for this business.

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** advantages to this business of using just-in-time inventory control.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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(e) Do you think this business should change to flow production? Justify your answer.

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4 Nuwan is a sole trader. He has a specialist sports shop selling a wide range of cricket and tennis products. His 3 employees are trained to provide good customer service. Nuwan is pleased the economy is growing but he is worried that interest rates might be increased. He believes his small business has advantages compared to large retailers. Nuwan would like to improve profit margins and thinks the best way to do this is to reduce costs.

(a) What is meant by a 'sole trader'?

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..... [2]

(b) Identify **two** possible features which show that the economy is growing.

Feature 1: .....

Feature 2: ..... [2]

(c) Identify and explain **two** ways in which an increase in interest rates might affect Nuwan's business.

Way 1: .....

.....

Explanation: .....

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Way 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** advantages that Nuwan's business might have compared to large retailers.

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 best way for Nuwan to improve profit margins is to reduce costs? Justify your answer.

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