Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME	
CENTRE NUMBER	CANDIDATE NUMBER

9285969224

BUSINESS STUDIES **7115/22**

Paper 2 **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 Insert contains the case study.
The business described in this question paper is 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, **3** blank pages and **1** insert.

© UCLES 2016

CAMBRIDGE
International Examinations

1 **(a)** Identify and explain **two** possible reasons why Thao and Liang have set 'excellent customer service' as the main business objective.

Reason 1: .....

.....

Explanation: .....

.....

.....

.....

.....

.....

Reason 2: .....

.....

Explanation: .....

.....

.....

.....

.....

.....[8]

(b) Consider the effects on FF of the following **three** legal controls which are being introduced next year. Which legal control do you think will have the biggest effect on FF? Justify your answer.

Health and safety training now required for all employees: .....

.....

.....

.....

.....

.....

Increase of 20% in the legal minimum wage: .....

.....

.....

.....

.....

.....

Protection from unfair dismissal now applies to employees who have been employed for only 6 months instead of 2 years:

.....

.....

.....

.....

.....

.....

Conclusion: .....

.....

.....

.....

.....

.....[12]

2 **(a)** Identify and explain **two** possible benefits to FF from changes in IT. See Appendix 1.

Benefit 1: .....

.....

Explanation: .....

.....

.....

.....

.....

.....

Benefit 2: .....

.....

Explanation: .....

.....

.....

.....

.....

.....[8]

(b) To expand, FF needs to attract new customers. Consider the following **three** methods of market research. Which method do you think will be most effective in identifying the needs of potential customers? Justify your answer.

Secondary research on weddings: .....

.....

.....

.....

.....

.....

Questionnaires given out at wedding dress shops: .....

.....

.....

.....

.....

.....

Interviews with photographers from other parts of the country: .....

.....

.....

.....

.....

.....

Conclusion: .....

.....

.....

.....

.....

.....[12]

3 **(a)** Identify **four** stakeholder groups who would want to see FF's accounts and explain **why** each group would want to see them.

Stakeholder group 1: .....

Explanation: .....

.....

.....

Stakeholder group 2: .....

Explanation: .....

.....

.....

Stakeholder group 3: .....

Explanation: .....

.....

.....

Stakeholder group 4: .....

Explanation: .....

.....

.....[8]

© UCLES 2016

(b) Consider the income statement extracts for the **two** businesses in Appendix 3. Include profitability ratio calculations in your answer. Recommend which business FF should take over. Justify your answer.

Business A: .....

.....

.....

.....

.....

.....

.....

.....

Business B: .....

.....

.....

.....

.....

.....

.....

.....

Recommendation: .....

.....

.....

.....

.....

.....

.....

.....[12]

4 **(a)** The Government has increased interest rates to reduce inflation. Identify and explain **two** ways an increase in interest rates might affect FF.

Way 1: .....

.....

Explanation: .....

.....

.....

.....

.....

.....

Way 2: .....

.....

Explanation: .....

.....

.....

.....

.....

.....[8]

(b) Thao and Liang need to raise finance to take over another business. Consider the advantages and disadvantages of the following **three** sources of finance which they could use. Recommend which source of finance Thao and Liang should choose. Justify your answer.

Retained profit: .....

.....

.....

.....

.....

.....

Issue of more shares: .....

.....

.....

.....

.....

.....

Bank loan: .....

.....

.....

.....

.....

.....

Recommendation: .....

.....

.....

.....

.....

.....[12]

BLANK PAGE

© UCLES 2016

BLANK PAGE

© UCLES 2016

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.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cie.org.uk after the live examination series.

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 2016