Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

2846520525

BUSINESS STUDIES **7115/11**

Paper 1 **May/June 2017**

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 QCH is a multinational company which makes a range of luxury cars. Last year it made a profit of $700m. One of QCH's objectives is to enter new markets. QCH wants to start producing cars in country C, a fast growing economy. The Finance Director said: 'Meeting customer needs is important. We could form a joint venture or set up our own factory. Both options will be expensive, costing $800m. I think QCH's expansion into country C could be good for other businesses there.'

(a) What is meant by a 'joint venture'?

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..... [2]

(b) Identify **two** advantages to QCH of having objectives.

Advantage 1: .....

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Advantage 2: .....

..... [2]

(c) Identify and explain **two** reasons why QCH might want to enter new markets.

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** factors that QCH should consider when deciding the location of the new factory.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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..... [6]

(e) The Finance Director thinks QCH's expansion into country C could be good for other businesses there. Do you agree? Justify your answer.

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2 Josh owns an office cleaning business. He has a number of large and small business customers. Josh employs 6 full-time cleaners who are all given off-the-job training. Josh believes that using the latest cleaning equipment increases added value. He said: 'Customers are happy with the service. I am always sending text (SMS) messages to workers about additional work.' Josh has been looking at his balance sheet. He cannot decide if a bank loan is the best source of finance to use for new equipment. The new equipment will cost $60 000.

Table 1: Extract from Josh's balance sheet as at 30 April 2017 ($000)

Current assets		120
Trade receivables	90	
Cash	**X**	
Current liabilities		**Y**
Net current assets		70

(a) What is meant by 'trade receivables'?

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..... [2]

(b) Calculate the following values.

X: .....

Y: ..... [2]

(c) Identify and explain **one** advantage and **one** disadvantage to Josh of using text (SMS) messages as a method of internal communication.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

..... [4]

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(d) Identify **one** advantage and **one** disadvantage to Josh of using off-the-job training.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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(e) Do you think a bank loan is the best source of finance for Josh to use for the new equipment? Justify your answer.

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3 Wilde Soup Stop (WSS) makes a range of soups and hot drinks. It owns 30 shops and has sold its franchise to 10 other shops in country Z. The Marketing Director said: 'Results from our focus group show that being an ethical business is important'. WSS plans to extend its product range to include curries and cakes. WSS will need to change its brand image. The Marketing Director cannot decide whether to use sponsorship or newspaper advertising as the main method of promotion.

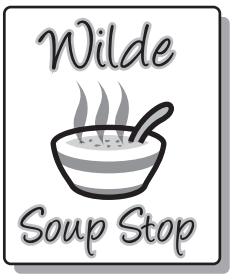


Fig.1: Existing logo for WSS

(a) Identify **two** ethical issues for a business.

Issue 1: .....

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Issue 2: .....

..... [2]

(b) What is meant by a 'focus group'?

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..... [2]

(c) Identify and explain **two** advantages to WSS of selling its franchise.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **one** advantage and **one** disadvantage to WSS of changing its brand image.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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(e) Do you think WSS should use sponsorship or newspaper advertising as the main method of promotion? Justify your answer.

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4 GKK makes plastic bottles for a range of products from food to chemicals. GKK buys its raw materials from a low-cost country. GKK's organisational structure is wide with a short chain of command which allows for delegation. The Government plans to introduce new legal controls to protect the environment. The Operations manager said: 'The Government might achieve one of its objectives but how does it affect GKK? This is a competitive market so prices are important.' He wants to improve efficiency and plans to use lean production.

(a) What is meant by 'chain of command'?

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..... [2]

(b) Identify **two** Government **economic** objectives.

Objective 1: .....

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Objective 2: .....

..... [2]

(c) Identify and explain **two** benefits to GKK of increasing efficiency.

Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** ways in which new legal controls to protect the environment might affect GKK.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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(e) Explain **one** lean production technique. Recommend whether GKK should introduce this technique. Justify your answer.

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