Cambridge
O Level

**Cambridge International Examinations**
Cambridge Ordinary Level

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|---|---|---|---|---|---|---|---|---|---|
| CANDIDATE NAME | | | | | | | | | |
| CENTRE NUMBER | | | | | | CANDIDATE NUMBER | | | | |

*6135249782*

**BUSINESS STUDIES** **7115/11**

Paper 1 **May/June 2018**

**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 **11** printed pages and **1** blank page.

CAMBRIDGE
International Examinations


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**[Turn over**

**1** GKA is a food retailer. It has 300 shops located in areas where average consumer incomes are low. GKA sells a limited range of own-label products including breakfast cereal and toothpaste. GKA does no promotion or market research. The Managing Director said: 'Last year our market share increased to 5%. Profit increased by 40%. Keeping costs low means GKA can offer customers quality products at low prices.' GKA is planning to open 100 shops in areas with high average consumer incomes.The Managing Director must decide whether GKA should change its pricing strategy (method) as the business expands.

**(a)** What is meant by 'market share'?

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.....

..... [2]

**(b)** Identify **two** aims of promotion.

Aim 1:.....

.....

Aim 2:.....

..... [2]

**(c)** Identify and explain **two** methods of market research that GKA could use.

Method 1:.....

.....

Explanation:.....

.....

Method 2:.....

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Explanation:.....

..... [4]

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**(d)** Identify and explain **two** ways in which GKA could keep costs low.

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 GKA should change its pricing strategy as the business expands? Justify your answer.

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**2** SJD is in the private sector. It makes steel for construction businesses. SJD plans to make 3500 of its 9000 employees redundant. The Operations Director said: 'Cheap steel imports and high business tax rates are affecting our business. There are also ethical issues that we must respond to. The Government should do more to help steel producers. Some of our competitors plan to close their factories and relocate to other countries. SJD may have to do the same.'

**(a)** Identify **two** situations in which downsizing the workforce might be necessary.

Situation 1:.....

.....

Situation 2:.....

..... [2]

**(b)** Identify **two** possible ethical issues that SJD might have to respond to.

Issue 1:.....

.....

Issue 2:.....

..... [2]

**(c)** Identify and explain **two** possible problems for SJD if it decides to relocate its business.

Problem 1:.....

.....

Explanation:.....

.....

Problem 2:.....

.....

Explanation:.....

..... [4]

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**(d)** Explain how each of the following factors might affect SJD's business.

High business tax rates:.....

.....

Explanation:.....

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Cheap imports:.....

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Explanation:.....

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..... [6]

**(e)** Do you think the Government should help businesses like SJD? Justify your answer.

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**3** IBH is a family-owned private limited company. It makes a range of shoes for children, using batch production. It is a competitive market. Like many businesses, IBH needs finance for a number of reasons. The Finance Director has been looking at some financial data. An extract is shown in Table 1. Some of the directors would like to expand into the women's shoe market and want to know whether IBH's performance is improving.

**Table 1: Extract from financial data for IBH ($000)**

| | **2016** | **2017** |
|---|---|---|
| Revenue | 400 | 480 |
| Gross profit | 240 | 320 |
| Profit | 120 | 120 |
| Non-current liabilities | 100 | 200 |

**(a)** What is meant by 'non-current liabilities'?

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..... [2]

**(b)** Identify **two** reasons why a business might need finance.

Reason 1:.....

Reason 2:..... [2]

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**(c)** Identify and explain **two** possible advantages to IBH of being a private limited company.

Advantage 1:.....

.....

Explanation:.....

.....

Advantage 2:.....

.....

Explanation:.....

..... [4]

**(d)** Identify and explain **two** advantages to IBH of using batch production.

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 IBH's performance has improved in 2017? Justify your answer using profit margins.

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**4** Ben owns a small gardening business, which he started 15 years ago. Ben believes providing a quality service is important to his success. Ben's business has a number of stakeholder groups including 2 full-time and 4 part-time workers who have all been employed by him for a number of years. Each worker is expected to do any job that Ben orders them to do. All workers are paid an hourly wage rate. They also receive a bonus if customers recommend the business to other people. Ben is always thinking about other ways to improve the motivation of his workers.

**(a)** What is meant by 'stakeholder group'?

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..... [2]

**(b)** Identify **two** possible reasons why Ben's business has remained small.

Reason 1:.....

.....

Reason 2:.....

..... [2]

**(c)** Identify and explain **two** reasons why quality might be important for Ben's business.

Reason 1:.....

.....

Explanation:.....

.....

Reason 2:.....

.....

Explanation:.....

..... [4]

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**(d)** Identify and explain **two** advantages to Ben's business of having part-time 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)** Explain **two** ways Ben could improve employee motivation. Recommend which way Ben should choose. Justify your answer.

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