Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

0275729691

BUSINESS STUDIES **7115/12**

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 **9** printed pages and **3** blank pages.

CAMBRIDGE
International Examinations

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[Turn over

1 Adele started a dance school five years ago. Every year Adele pays herself a salary and makes $1000 profit. The school offers a range of dance and exercise classes for children. It is a sole trader business. Adele believes using the right pricing method is important. Adele wants to expand the business by opening a second dance school. Based on her business plan, she forecasts that this will cost $8000. Adele cannot decide whether a bank loan is the best source of finance for this expansion.

(a) Identify **two** features of a sole trader.

Feature 1:.....

.....

Feature 2:.....

..... [2]

(b) Identify **two** of the main sections of a business plan.

Section 1:.....

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Section 2:.....

..... [2]

(c) Identify and explain **two** reasons why using the right pricing method is important for Adele's business.

Reason 1:.....

.....

Explanation:.....

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Reason 2:.....

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Explanation:.....

..... [4]

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(d) Identify and explain **two** location factors that Adele should consider when deciding on a second school.

Factor 1:.....

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Explanation:.....

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Factor 2:.....

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Explanation:.....

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..... [6]

(e) Do you think that a bank loan is the best source of finance for Adele to use to expand the business? Justify your answer.

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2 JSF is a business in the private sector. It has 50 production workers who operate machines. JSF makes a range of household products including towels and bed sheets. Most of the products are sold to retail businesses that take two months to pay JSF. The business is given two weeks' credit to pay its suppliers. The Finance manager has just prepared a cash flow forecast. He said: 'Cash outflows are too high. I have already reduced the budget for market research to zero. Training costs are $1000 per month and cannot be reduced as training is important.' The Finance manager is thinking of other ways to improve cash flow.

Table 1: Cash flow forecast for JSF for the period July–September 2017 ($000)

	July	August	September
Cash inflows	120	100	90
Cash outflows	150	120	120
Net cash flow	**X**	(20)	(30)
Opening balance	60	30	10
Closing balance	30	10	**Y**

(a) What is meant by a cash flow forecast?

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..... [2]

(b) Calculate the values for **X** and **Y**.

X: .....

Y: ..... [2]

(c) Identify and explain **two** benefits to JSF of market research.

Benefit 1: .....

.....

Explanation: .....

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Benefit 2: .....

.....

Explanation: .....

..... [4]

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(d) Identify and explain **two** reasons why training is important to JSF.

Reason 1:.....

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Explanation:.....

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Reason 2:.....

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Explanation:.....

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..... [6]

(e) Explain **two** ways (other than lower training costs) that JSF could improve its cash flow position. Which way do you think JSF should use? Justify your answer.

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3 DPC operates 200 takeaway pizza shops. Over 75% of its pizzas are ordered through e-commerce. The Managing Director thinks 2017 was a successful year. She said: 'Looking ahead, there are signs that the economy is growing. However, DPC has a number of challenges. The Government plans to increase the minimum wage to $5 per hour. DPC has to respond to environmental pressures as well. Food waste and litter caused by used pizza boxes are problems. Complaints from the local community about this are too high.'

(a) Identify **two** ways to measure business success.

Way 1:.....

.....

Way 2:.....

..... [2]

(b) Identify **two** features of a growing economy.

Feature 1:.....

.....

Feature 2:.....

..... [2]

(c) Identify and explain **two** ways in which an increase in the minimum wage could affect DPC.

Way 1:.....

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Explanation:.....

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Way 2:.....

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Explanation:.....

..... [4]

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(d) Identify and explain **two** advantages to DPC of using e-commerce.

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 in which DPC could respond to environmental pressures. Recommend which of the two options it should choose. Justify your answer.

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4 JKL uses job production to make clocks. JKL buys all its raw materials locally and exports 60% of its products. The business has high fixed costs. JKL has 30 skilled employees. Many of them work part-time and delegation is encouraged. All workers receive an email from management every day to keep them informed about production issues. The Human Resources Director said: 'I think it is more cost-effective to try to retain our existing workers rather than to recruit new employees.' The Director wants to reduce barriers to communication, as he knows effective communication is important to help JKL meet its objectives.

(a) Identify **two** reasons for a business having objectives.

Reason 1:.....

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Reason 2:.....

..... [2]

(b) Identify **two** fixed costs for JKL.

Cost 1:.....

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Cost 2:.....

..... [2]

(c) Identify and explain **one** advantage and **one** disadvantage to JKL of using job production.

Advantage:.....

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Explanation:.....

.....

Disadvantage:.....

.....

Explanation:.....

..... [4]

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(d) Identify **two** possible barriers to communication for JKL. For each barrier, explain how JKL could reduce or remove it.

Barrier 1:.....

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How to reduce or remove it:.....

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Barrier 2:.....

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How to reduce or remove it:.....

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..... [6]

(e) Do you agree that it is better for JKL to try to retain existing workers rather than recruit new employees? Justify your answer.

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