Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

CANDIDATE NAME	
CENTRE NUMBER	
CANDIDATE NUMBER	

0114766691

BUSINESS STUDIES **7115/11**

Paper 1 **May/June 2019**

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.

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[Turn over

1 Y2M is a bus operating company in the public sector. One of its objectives is to break even on every bus route. Most of its competitors are in the private sector. Y2M wants to increase the number of customers using its buses. The Finance Director has been looking at some cost data shown in Table1. This is because Y2M plans to review its pricing methods. She is worried other businesses pay workers a higher wage rate and some of its drivers may leave. She said: 'To pay the same wage rate would increase variable cost to $2.20 per passenger per journey.'

Table 1: Cost and price data for one Y2M route

Number of passengers per day	90
Price per passenger per journey	$2.50
Fixed costs per week	$300
Variable cost per passenger per journey	$2

(a) What is meant by 'break-even'?

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..... [2]

(b) Calculate the revenue per day.

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..... [2]

(c) Identify and explain **two** objectives Y2M might have if it was in the private sector.

Objective 1: .....

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Explanation: .....

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Objective 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** pricing methods Y2M could use.

Pricing method 1: .....

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Explanation: .....

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Pricing method 2: .....

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Explanation: .....

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..... [6]

(e) Do you think Y2M should pay its workers the same wage rate as its competitors? Justify your answer.

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..... [6]

2 Kate is an entrepreneur. Two years ago she left her job as a fashion designer at a multinational company. She started up BBB, a women's sportswear clothing business. BBB targets a market segment of high income consumers. BBB's products are sold in 3 retail shops and also through its website. Kate said: 'I saw a gap in the market and took the risk. Obtaining the finance I needed from the bank was not easy. I enjoy making decisions such as using leaflets to promote the clothes.' BBB's revenue target for next year is $500 000.

(a) What is meant by 'entrepreneur'?

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..... [2]

(b) Identify **two** reasons why obtaining finance may not be easy for a new business.

Reason 1: .....

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Reason 2: .....

..... [2]

(c) Identify and explain **two** possible reasons why Kate decided to start up her own 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** reasons why segmenting the market might help BBB.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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(e) Do you think that using leaflets is the best way for Kate to promote her products? Justify your answer.

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3 BVC makes a range of paints. It exports 60% of its products. The Managing Director has been looking at BVC's cash-flow forecast shown in Table 2. He said: 'Success is not just about our return on capital employed.' The Managing Director is worried about the introduction of new legal controls to protect the environment. This will mean BVC will have to reduce the number of chemicals that are used to make paint. He thinks these new legal controls will be bad for business.

Table 2: Extract of cash flow forecast for the period July–September 2019 ($000)

	July	August	September
Cash inflow	600	560	620
Cash outflow	560	540	580
Net cash flow	40	20	**Y**
Opening balance	**X**	60	80
Closing balance	60	80	120

(a) What is meant by 'return on capital employed'?

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..... [2]

(b) Calculate the following values:

X: .....

Y: ..... [2]

(c) Identify and explain **two** reasons why a cash flow forecast might be important for BVC.

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** possible problems for BVC when exporting its products.

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

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..... [6]

(e) The Managing Director thinks the new legal controls to protect the environment will be bad for business. Do you agree? Justify your answer.

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4 FGH is a private limited company. FGH has a tall hierarchical organisational structure. It is a book retailer which plans to take over one of its competitors for $800m. If the takeover happens, FGH would have 6 500 bookshops across 20 countries. FGH's Managing Director said: 'We expect to reduce total costs by $300m each year after the takeover. We will stop all off-the-job training of employees.' The Managing Director thinks FGH would benefit from becoming a public limited company but some of the other directors cannot decide if this is a good idea.

(a) What is meant by 'off-the-job training'?

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..... [2]

(b) What is meant by 'total cost'?

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..... [2]

(c) Identify and explain **two** advantages of FGH having a tall hierarchical organisational structure.

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 FGH of becoming a public limited company.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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(e) Do you think FGH should take over the other business? Justify your answer.

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