Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

7310294209

BUSINESS STUDIES **7115/12**

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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1 PLK is a social enterprise which offers training to young people who leave school with no qualifications. The young people are trained by PLK chefs to prepare food which is sold at local markets or sporting events. Choosing the right method of promotion is important. The manager of PLK thinks that to increase profit it is better to raise prices rather than use cheaper food ingredients.

Table 1: Cost and sales information for PLK

Number of meals sold per week	1000
Price per meal	$3
Variable cost per meal	$2
Fixed costs per week	$300

(a) What is meant by 'social enterprise'?

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..... [2]

(b) What is meant by 'fixed costs'?

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(c) Calculate PLK's weekly profit.

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(d) Identify and explain **two** methods of promotion PLK might use to increase sales.

Method 1: .....

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Explanation: .....

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Method 2: .....

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Explanation: .....

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..... [6]

(e) Do you agree with PLK's manager that to increase profit it is better to raise prices rather than use cheaper ingredients? Justify your answer.

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2 JNK makes pottery including plates and bowls for the mass market, using batch production. Quality control is important. JNK has 30 unskilled employees, who are all paid the legal minimum wage. JNK uses job enrichment to keep workers motivated. Due to an increase in demand, JNK is planning to replace its old machines with new technology. The Managing Director thinks that some of the low cost materials purchased by JNK are produced using child labour. One of JNK's competitors has recently introduced a new ethical policy.

(a) What is meant by 'mass market'?

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..... [2]

(b) What is meant by 'job enrichment'?

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(c) Identify and explain **two** ways in which employees at JNK could be affected by the introduction of new technology.

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** ways (other than new technology) that JNK could use to increase output.

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 JNK should become more ethical? Justify your answer.

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3 REW has won many awards for the design and style of its carpets and rugs. All the wool it uses is from local suppliers. REW's objective for this year is to survive and remain in business. The Managing Director is concerned that the country's Gross Domestic Product has been falling for some time. During the recession the Managing Director plans to start selling REW's products in other countries. Market research suggests demand would be high.

Table 2: Extract from REW's accounts

	2017	**2018**
Current ratio	1.5	2
Acid test ratio	1.2:1	1:1
Profit margin	20%	16%

(a) What is meant by 'Gross Domestic Product'?

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..... [2]

(b) Identify **two** possible effects on businesses from falling Gross Domestic Product.

Effect 1: .....

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Effect 2: .....

..... [2]

(c) Identify and explain **two** reasons why REW's objectives might change over time.

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 the effect on REW of the **changes** in the following ratios.

Change in acid test ratio: .....

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Explanation of effect: .....

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Change in profit margin: .....

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Explanation of effect: .....

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(e) Do you think REW should start selling its products in other countries? Justify your answer.

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4 George has worked in a small flower shop for 10 years. He does not like the autocratic leadership style of his manager and wants to leave. He will decide whether to start up his own business or buy a BunchesRUs franchise. The franchise would cost him $5 000 but BunchesRUs would offer training and support. For either option, George will need both finance and to recruit 2 part-time employees. George knows building customer relationships will be important to the success of his business.

(a) What is meant by 'autocratic leadership style'?

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..... [2]

(b) Identify **two** possible sources of finance George could use.

Source 1: .....

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Source 2: .....

..... [2]

(c) Identify and explain **two** reasons why building good customer relationships might be important to the success of George's 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 **one** advantage and **one** disadvantage to George's business of having part-time employees.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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..... [6]

(e) Do you think George should buy a BunchesRUs franchise? Justify your answer.

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