Cambridge Assessment International Education

# Cambridge O Level

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

*2673042145*

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

Paper 1 Short Answer and Data Response **May/June 2020**

**1 hour 30 minutes**

You must answer on the question paper.

No additional materials are needed.

**INSTRUCTIONS**

- Answer **all** questions.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

**INFORMATION**

- The total mark for this paper is 80.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **12** pages. Blank pages are indicated.


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**[Turn over**

**1** Kara's business makes wax candles. She sells them to retailers at low prices. She gives retailers 60 days to pay. Kara has to pay her suppliers when raw materials are delivered. Kara used crowd-funding to set up her business. The bank would not give Kara a loan as she did not have a business plan. Last year revenue was $50 000. Demand is increasing but Kara is not yet able to benefit from economies of scale. She said: 'Cash-flow is a problem. All cash inflows are used to buy inventory.'

**(a)** Define 'crowd-funding'.

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..... [2]

**(b)** State **two** economies of scale.

Economy of scale 1.....

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Economy of scale 2.....

..... [2]

**(c)** Outline **two** reasons why a bank might want Kara to produce a business plan before agreeing to give a loan.

Reason 1: .....

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Reason 2: .....

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..... [4]

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**(d)** Explain **two** factors Kara should consider when deciding whether to increase prices.

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 delaying payments to suppliers is the best way for a small business to improve its cash-flow? Justify your answer.

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..... [6]

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**2** BCK is a multinational company which operates many gold mines. One of BCK's objectives is to contribute to sustainable development. The Managing Director said: 'We value all of our stakeholders. With 10 000 employees it is important to have the right leadership style. BCK needs well-motivated employees.' The Managing Director also thinks that effective communication with suppliers is very important.

**(a)** Define 'multinational company'.

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..... [2]

**(b)** State **two** ways of motivating employees.

Way 1: .....

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Way 2: .....

..... [2]

**(c)** State **four** factors that might affect the leadership style used by a manager.

Factor 1: .....

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Factor 2: .....

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Factor 3: .....

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Factor 4: .....

..... [4]

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**(d)** Explain **two** ways BCK could contribute to sustainable development.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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**(e)** Do you think using communication methods based on information technology (IT) is the best way for a large business to communicate with its suppliers? Justify your answer.

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**3** NWA is a large and profitable airline business. It has grown quickly over the past 10 years and new aeroplanes have helped to improve its brand image. NWA offers low priced flights for tourists to 50 countries. Sales promotion is an important part of NWA's marketing mix. The Finance Director is worried that NWA has a high level of debt as its main source of finance is bank loans. The organisational chart of NWA has many levels of hierarchy with narrow spans of control.

**Table 3.1**

| **Cost and price data for a typical NWA flight (2019)** | |
|---|---|
| Price per customer | $40 |
| Fixed costs | $2 000 |
| Variable cost per customer | $24 |
| Maximum number of customers | 200 |

**(a)** Define 'brand image'.

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**(b)** Calculate the break-even number of customers for a typical NWA flight. Show your working.

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..... [2]

**(c)** Outline **two** possible problems for NWA of having a high level of debt.

Problem 1: .....

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Problem 2: .....

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**(d)** Explain how **two** methods of sales promotion could increase sales for NWA.

Method 1: .....

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Explanation: .....

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Method 2: .....

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Explanation: .....

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**(e)** Do you think that having many levels of hierarchy is the best type of organisational structure for a large business? Justify your answer.

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**4** BMT is a business partnership owned by 2 brothers. The brothers received government support when they started BMT 6 years ago. BMT now has 30 employees who make high quality watches. The business tries to achieve lean production. Demand has increased each year and in 2019 BMT sold 8000 watches. BMT makes some parts for watches and all the other parts are imported. BMT had to consider a number of factors, including exchange rates, when deciding whether to import parts for watches.

**(a)** Identify **two** reasons why a government might support business start-ups.

Reason 1: .....

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Reason 2: .....

..... [2]

**(b)** State **two** types of business organisation (other than partnership).

Type 1: .....

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Type 2: .....

..... [2]

**(c)** Outline **two** disadvantages of BMT being a business partnership.

Disadvantage 1: .....

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Disadvantage 2: .....

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..... [4]

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**(d)** Explain **two** ways BMT could achieve lean production.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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**(e)** Do you think the exchange rate is the most important factor for a business to consider when deciding whether to import parts for a high quality product? Justify your answer.

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