Cambridge Assessment International Education

Cambridge O Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

1420861250

BUSINESS STUDIES **7115/11**

Paper 1 Short Answer and Data Response **May/June 2021**

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. Any blank pages are indicated.

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[Turn over

1 BKH is a large public limited company. It has 2 000 employees across 18 locations. BKH sells a range of insurance products including house and car insurance. BKH's shareholders want the business to increase profit. The Managing Director knows increasing profit can conflict with the objectives of other stakeholder groups. She said: 'Private sector businesses have different objectives to public sector organisations.' BKH is also planning to expand by taking over another insurance company.

(a) Define 'public sector'.

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..... [2]

(b) Define 'profit'.

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..... [2]

(c) Identify **four** ways to measure the size of a business.

Way 1: .....

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Way 2: .....

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Way 3: .....

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Way 4: .....

..... [4]

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(d) Explain **one** way each stakeholder's objectives might conflict with BKH's objective to increase profit.

Customers objective: .....

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How this objective might conflict: .....

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Employees objective: .....

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How this objective might conflict: .....

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..... [6]

(e) Do you think economies of scale are the most important reason for taking over another business? Justify your answer.

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2 PJA make fashion clothing for 16-25 year olds. Many of its competitors are multinational companies. PJA produce new products every 3 weeks. All PJA's products are made in a local factory because of import quotas. The Managing Director is reviewing PJA's financial statements using ratio analysis. An extract is shown in Table 2.1.

Table 2.1

Extract from PJA's financial statements for 2020	
Revenue ($m)	7 400
Gross profit ($m)	3 330
Profit ($m)	1 100
Current ratio	1.5
Return on Capital Employed (ROCE)	8%

(a) Define 'import quota'.

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..... [2]

(b) Calculate PJA's gross profit margin.

Show your working.

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(c) Outline **one** benefit and **one** limitation to PJA of developing new products.

Benefit: .....

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Limitation: .....

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(d) Explain **two** ways PJA's managers can use ratio analysis.

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 multinational companies always benefit the countries they operate in? Justify your answer.

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3 Alex started APB as a sole trader business 4 years ago. APB provide printing services for local businesses such as leaflets and brochures. Alex thinks having a good location is important to any business. All APB's 6 employees receive on-the-job training. Alex has a democratic leadership style and uses job rotation to help keep employees motivated. To meet an increase in demand, Alex plans to buy an additional printing machine. This will cost $1 800. Alex has to decide on an appropriate source of finance.

(a) Define 'job rotation'.

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..... [2]

(b) State **two** factors that a service sector business should consider when deciding where to locate.

Factor 1: .....

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Factor 2: .....

..... [2]

(c) Outline **one** advantage and **one** disadvantage to APB of using on-the-job training.

Advantage: .....

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Disadvantage: .....

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..... [4]

(d) Explain **one** advantage and **one** disadvantage of Alex having a democratic leadership style.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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(e) Do you think the amount of money needed is the most important factor for a sole trader to consider when deciding on an appropriate source of finance? Justify your answer.

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4 Economic growth in country X has created many opportunities for new businesses such as TGH. TGH manufacture a range of personalised mobile (cell) phone cases using job production. Quality assurance is important to all 8 employees. TGH operate in a niche market. The Marketing Manager uses e-commerce as TGH's channel of distribution. She is considering ways to build customer relationships.

(a) Define 'economic growth'.

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..... [2]

(b) Define 'quality assurance'.

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..... [2]

(c) Outline **two** reasons why building customer relationships might be important to TGH.

Reason 1: .....

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Reason 2: .....

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..... [4]

(d) Explain **one** advantage and **one** disadvantage to TGH of using job production.

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 cost-plus is the best pricing method for a new business to use when selling products to a niche market? Justify your answer.

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