Cambridge Assessment International Education

Cambridge O Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

0892969563

BUSINESS STUDIES **7115/14**

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 Marty owns a book shop in the city centre. He has been analysing the financial performance of his business. An extract from the accounts is shown in Table 1.1. In the last 2 years, revenue has decreased by 50%. Marty thinks increased competition is one reason for this. Marty plans to change his pricing strategy. He is also considering the different methods of promotion he could use to increase sales.

Table 1.1

Extract from Marty's income statement for year ending 31 December 2020 ($)	
Revenue	80 000
Cost of sales	**X**
Gross profit	60 000
Expenses	45 000
Profit	**Y**

(a) Define 'cost of sales'.

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..... [2]

(b) Calculate **X** and **Y.**

X: .....

Y: ..... [2]

(c) Outline **two** possible problems the decrease in revenue might cause Marty's business.

Problem 1: .....

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Problem 2: .....

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(d) Explain **two** pricing methods Marty could use.

Method 1: .....

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Explanation: .....

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Method 2: .....

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Explanation: .....

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..... [6]

(e) Explain **two** methods of promotion a small retail business could use to increase sales. Justify which is the best method to use.

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2 STH is an ethical business. It manufactures beds. The beds are produced in batches of 10 by employees working in teams. Delegation is encouraged so employees can reach the higher levels of Maslow's Hierarchy of Needs. All teams need to communicate regularly with management. The Operations Manager is worried as the level of wasted materials has increased over the past 3 months. She wants to improve efficiency and has identified two options; increasing training or introducing automation.

(a) Define 'delegation'.

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..... [2]

(b) State **two** levels in Maslow's Hierarchy of Needs.

1: .....

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2: .....

..... [2]

(c) Identify **four** methods of internal communication a business can use.

Method 1: .....

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Method 2: .....

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Method 3: .....

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Method 4: .....

..... [4]

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(d) Explain **one** advantage and **one** disadvantage to STH of being ethical.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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(e) Do you think increasing training is a better way for a manufacturing business to improve efficiency than introducing automation? Justify your answer.

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3 JCP is a small private limited company. This paper-making business was started 170 years ago. JCP has many stakeholder groups, including 50 employees. The Managing Director said: 'JCP is always developing new products. We now produce products for the airline industry as well as making paper.' JCP exports its products to 60 countries.

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

Way 1: .....

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Way 2: .....

..... [2]

(b) Identify **two** costs for a business of developing new products.

Cost 1: .....

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Cost 2: .....

..... [2]

(c) Outline **one** objective each of the following stakeholder groups of JCP might have.

Employees: .....

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Suppliers: .....

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(d) Explain **two** factors JCP should consider when exporting its products.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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(e) Do you think limited liability is the most important factor for business owners to consider when deciding on an appropriate form of business organisation? Justify your answer.

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4 Last year economic growth in country Y increased from 2% to 5%. Rohit wants to start up a car washing business in country Y. He will need to choose a suitable source of finance. Rohit has calculated some data. An extract is shown in Table 4.1. He understands that all business activity creates external costs. Rohit has to decide on a suitable location for his business.

Table 4.1

Forecast price, cost and customer data for Rohit's business	
Average price per customer	$4
Variable cost per customer	$1
Fixed cost per week	$90
Number of customers per week	50

(a) Define 'external cost'.

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(b) Calculate Rohit's forecast break-even output. Show your working.

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(c) State **four** possible sources of finance a start-up business could use.

Source 1: .....

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Source 2: .....

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Source 3: .....

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Source 4: .....

..... [4]

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(d) Explain **two** ways economic growth might affect Rohit's business.

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 cost of rent is a more important location factor for a start-up business than the level of competition? Justify your answer.

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