Cambridge Assessment International Education

Cambridge O Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

5897975677

BUSINESS STUDIES **7115/11**

Paper 1 Short Answer and Data Response **May/June 2022**

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 Pamela is a successful entrepreneur. She is the owner of a gift shop selling celebration cards, toys and candy (sweets). When Pamela started her business 30 years ago she had no help to manage the shop. She now has 5 employees. Pamela knows maintaining customer loyalty is important. She uses competitive pricing. Most of her marketing budget is spent on sales promotion. Pamela does not use e-commerce.

(a) Define 'competitive pricing'.

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(b) Define 'marketing budget'.

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..... [2]

(c) Outline **two** possible threats to Pamela's business of using e-commerce.

Threat 1: .....

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Threat 2: .....

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..... [4]

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(d) Explain **two** methods Pamela's business can use to maintain customer loyalty.

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 being a risk-taker is a more important characteristic of a successful entrepreneur than being creative? Justify your answer.

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2 CTF is a public limited company. It manufactures beds using batch production. The Operations Director is using break-even analysis to calculate the margin of safety for children's beds. An extract from CTF's output data is shown in Table 2.1. The Operations Director wants to know how an increase in inflation might affect CTF. She knows there are many environmental pressures that a manufacturing business could respond to.

Table 2.1

Extract from CTF's output data (children's beds per month)	
Break-even output	14 000
Current level of output	18 000
Maximum factory output	25 000

(a) Define 'public limited company'.

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(b) Calculate the margin of safety for CTF's children's beds. Show your working.

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(c) Outline **two** ways an increase in inflation might affect CTF.

Way 1: .....

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Way 2: .....

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(d) Explain **two** possible advantages to CTF of using batch production.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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(e) Do you think manufacturing businesses should always respond to environmental pressures? Justify your answer.

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3 VCG manufactures high-quality briefcases and travel bags. VCG has 50 skilled production workers in its factory. VCG is planning to expand by building a second factory. Different locations are being considered. The Managing Director is reviewing VCG's financial statements. An extract is shown in Table 3.1. Both internal and external stakeholder groups of VCG are interested in this information.

Table 3.1

Extract from VCG's 2021 financial statements ($)	
Revenue	2 000 000
Current assets	300 000
Current liabilities	250 000
Shareholders' equity (funds)	800 000

(a) Define 'shareholders' equity'.

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..... [2]

(b) Identify **two** financial statements a public limited company is legally required to publish each year.

Financial statement 1: .....

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Financial statement 2: .....

..... [2]

(c) State whether each of the following are classified as a current asset or a current liability.

Overdraft: .....

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Trade receivables: .....

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Trade payables: .....

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Cash in bank: .....

..... [4]

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(d) Explain **one** way each of the following stakeholder groups might use VCG's accounts:

Shareholders: .....

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Explanation: .....

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Suppliers: .....

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Explanation: .....

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(e) Do you think access to labour is the most important factor for a manufacturing business to consider when deciding where to locate a new factory? Justify your answer.

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4 MBH is a business organisation in the public sector. It controls 5 hospitals and has 5600 employees including 440 doctors. External recruitment is used when recruiting skilled employees. The Human Resources Director uses ideas from Herzberg's theory to improve employee motivation. He is worried about communication barriers within MBH. The business has a tall organisational structure and a long chain of command. Most of MBH's internal communication is by email and phone calls.

(a) Identify **two** objectives for a business organisation in the public sector.

Objective 1: .....

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Objective 2: .....

..... [2]

(b) Define 'chain of command'.

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..... [2]

(c) Outline **two** ways MBH can use ideas from Herzberg's theory to motivate its employees.

Way 1: .....

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Way 2: .....

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..... [4]

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(d) Explain how MBH might reduce or remove each of the following communication barriers:

Messages lost: .....

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Explanation: .....

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Use of jargon: .....

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Explanation: .....

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..... [6]

(e) Do you think an organisation should always use external recruitment when recruiting skilled employees? Justify your answer.

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