Cambridge Assessment International Education

Cambridge O Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

7606784056

BUSINESS STUDIES **7115/12**

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 AHG is an established business as it has been operating for a long time. It sells garden products including plants and flowers. AHG uses competitive pricing. The business has 4 managers and 30 other employees. All AHG's managers use delegation. The Finance Manager is analysing AHG's statement of financial position as she is interested in its liquidity. An extract is shown in Table 1.1.

Table 1.1

Extract from AHG's statement of financial position at 30 March 2022 ($000)	
Non-current assets	800
Current assets	660
Current liabilities	600

(a) Define 'current liabilities'.

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..... [2]

(b) Identify **two** examples of non-current assets.

Example 1: .....

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Example 2: .....

..... [2]

(c) Outline **two** possible reasons why liquidity is important to AHG.

Reason 1: .....

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Reason 2: .....

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(d) Explain **two** advantages to AHG of its managers using delegation.

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 competitive pricing is the best method for an established business to use? Justify your answer.

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2 RWB manufactures buses.1200 people work in its factory. All employees receive off-the-job training. RWB uses financial rewards to motivate its employees. Last year RWB made a $1.7 million loss. The Managing Director said: 'There are many external influences affecting our business, including changes in the level of unemployment and new legal controls over business activities which affect the environment.'

(a) Define 'off-the-job training'.

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(b) Identify **two** reasons (other than financial) why people work.

Reason 1: .....

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Reason 2: .....

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(c) Outline **two** methods of financial rewards RWB might use to motivate its employees.

Method 1: .....

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Method 2: .....

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(d) Explain **two** ways RWB might be affected by new legal controls over business activities which affect the environment.

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 a reduction in the level of unemployment always benefits businesses? Justify your answer.

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3 CHW manufactures electrical products including cameras. The business is developing new products. The Managing Director knows that the stage of the product life cycle can influence CHW's marketing decisions about promotion. He is analysing data for one of its products. An extract is shown in Table 3.1. The business would also like to introduce flow production into the factory.

Table 3.1

Extract from CHW's data for one type of camera (2021)	
Selling price per unit ($)	120
Variable cost per unit ($)	40
Fixed costs ($)	200 000
Margin of safety (units)	500

(a) Identify **one** benefit and **one** cost to a business of developing new products.

Benefit: .....

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Cost: .....

..... [2]

(b) Calculate the break-even level of output for 2021. Show your working.

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(c) Outline **two** ways CHW could increase its margin of safety.

Way 1: .....

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Way 2: .....

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..... [4]

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(d) Explain **two** ways in which the stage of the product life cycle might affect CHW's marketing decisions about promotion.

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 flow production is the best method of production for a manufacturing business to use? Justify your answer.

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4 Tom wants to leave his job to become an entrepreneur. He and his sister plan to start a window cleaning business. Tom has been told that new businesses are at a greater risk of failure than established businesses. Tom has to decide whether a partnership is a suitable form of business organisation for the new business. He has calculated the business will need $700 as start-up capital. Tom knows that every decision he makes will have an opportunity cost.

(a) Define 'entrepreneur'.

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(b) Define 'opportunity cost'.

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(c) Identify **four** reasons why a new business might be at greater risk of failure than an established business.

Reason 1: .....

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Reason 2: .....

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Reason 3: .....

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Reason 4: .....

..... [4]

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(d) Explain **two** suitable sources of start-up capital Tom's business might use.

Source 1: .....

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Explanation: .....

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Source 2: .....

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Explanation: .....

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(e) Do you think a partnership is the best form of business organisation for a new business? Justify your answer.

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