UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

* 1 8 8 3 5 6 5 4 9 2 *

BUSINESS STUDIES **7115/11**

Paper 1 **October/November 2010**

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
Do not use staples, paper clips, highlighters, glue or correction fluid.
DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.
The businesses described in this paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.

For Examiner's Use	
1	
2	
3	
4	
5	
Total	

This document consists of **11** printed pages and **1** blank page.

© UCLES 2010

For Examiner's Use

1 Leo owns a garage in the centre of a town located in country A. The garage has a lot of stock of cars for sale. It also sells petrol and has a shop selling a wide range of food. 'Petrol is a loss-leader for my garage' said Leo. 'Most of my profit comes from selling cars and I am looking for ways to increase the profits of the rest of my business.'

(a) What is meant by a loss leader?

.....

.....

.....

..... [2]

(b) Identify **two** overhead costs that you think Leo's garage would have to pay.

Overhead 1: .....

Overhead 2: ..... [2]

(c) The Government in country A has raised interest rates. Explain the impact that this increase might have on the profits of Leo's garage.

.....

.....

.....

.....

.....

.....

.....

..... [4]

© UCLES 2010

For Examiner's Use

(d) Identify and explain **three** ways in which Leo could promote his business.

Way 1:.....

Explanation:.....

.....

.....

Way 2:.....

Explanation:.....

.....

.....

Way 3:.....

Explanation:.....

.....

..... [6]

(e) Although Leo's business is profitable it has a cash flow problem. Recommend **two** methods that Leo could use to help solve the problem. Justify your recommendations.

Method 1:.....

.....

.....

.....

.....

.....

Method 2:.....

.....

.....

.....

.....

..... [6]

For Examiner's Use

2 Suki is the manager of a department in a large retail shop. Her job is varied and she is responsible for the recruitment and motivation of the staff who work in her department. Suki enjoys her job but sometimes finds it hard. 'Finding the right staff is difficult and motivating some of them is almost impossible!' she said.

(a) Identify **two** examples of fringe benefits that shop workers are likely to receive.

Fringe benefit 1: .....

Fringe benefit 2: ..... [2]

(b) Identify **two** reasons why recruiting shop workers might be difficult.

Reason 1: .....

.....

Reason 2: .....

..... [2]

(c) Identify and explain **two** reasons why shop workers might lack motivation.

Reason 1: .....

Explanation: .....

.....

.....

Reason 2: .....

Explanation: .....

.....

..... [4]

© UCLES 2010

For Examiner's Use

(d) Suki is also responsible for making sure that workers follow Health and Safety laws in her department. Identify and explain **three** ways in which such laws might help protect employees and customers.

Way 1: .....

Explanation: .....

.....

.....

Way 2: .....

Explanation: .....

.....

.....

Way 3: .....

Explanation: .....

.....

..... [6]

(e) The sales of the shop have fallen recently. The management think that costs must be cut. Two suggestions have been made to do this:

- Make 50% of the shop workers redundant
- Reduce the hours of all shop workers by 50%.

Which one of these two options do you think the management should choose? Justify your recommendation.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

For Examiner's Use

3 Manfred is the Finance Director for a large public limited company called BTX. He sets the financial budgets for all the departments. Manfred is worried about the falling sales of BTX. He was looking at the data in Table 1.

Table 1: Selected Financial Data from BTX ($000's)

	2008	2009
Sales	1 200	11 00
Net Profit	200	250
Capital employed	1 000	1 500
Current Ratio	1.2	0.7

(a) What is meant by a financial budget?

.....

.....

.....

..... [2]

(b) Calculate the net profit **margin** for BTX in 2009.

.....

..... [2]

(c) Explain what the current ratio tells Manfred about BTX's financial position.

.....

.....

.....

.....

.....

.....

.....

..... [4]

© UCLES 2010

For Examiner's Use

(d) BTX wants to raise new funds in 2010 to help finance its growth plans. Identify and explain **three** ways it could do this.

Way 1: .....

Explanation: .....

.....

.....

Way 2: .....

Explanation: .....

.....

.....

Way 3: .....

Explanation: .....

.....

..... [6]

(e) Do you think that the management of BTX should be worried about the performance of the company in 2009? Justify your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

For Examiner's Use

4 Sweet Scent is a company that manufactures toiletries such as soap, sun cream and toothpaste. Fig.1 and Fig. 2 show the product life cycles of two of its brands of face cream coded W and X.

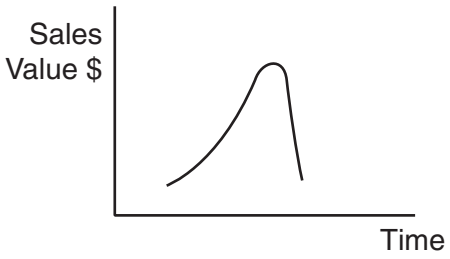


Fig. 1: Product W

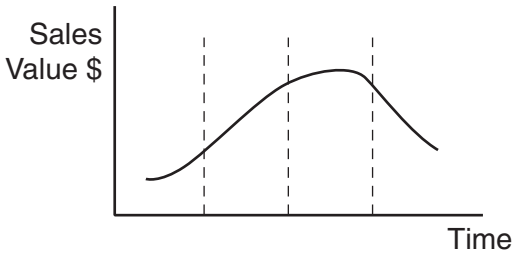


Fig. 2: Product X

(a) What is meant by a product life cycle?

.....

.....

.....

..... [2]

(b) Identify the four stages of the product life cycle of product X.

Stage 1: .....

Stage 2: .....

Stage 3: .....

Stage 4: ..... [2]

(c) Identify and explain **two** main differences in the life cycles of the two products shown in Fig. 1 and Fig. 2.

Difference 1:.....

Explanation: .....

.....

.....

Difference 2:.....

Explanation: .....

.....

..... [4]

© UCLES 2010

For Examiner's Use

(d) Sweet Scent is soon to launch a new range of toothpaste called Gleam.

Identify and explain **three** factors that the management of Sweet Scent should consider before setting a price for Gleam.

Factor 1:.....

Explanation:.....

.....

.....

Factor 2:.....

Explanation:.....

.....

.....

Factor 3:.....

Explanation:.....

.....

..... [6]

(e) The management of Sweet Scent believe that the more the company spends on advertising, the more profitable the product will be. Do you think they are right? Justify your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

For Examiner's Use

5 ATC is a very large exporting company with many offices throughout the world. The top management know that effective communication is vital in such a large business. Recently the management held a meeting to consider the ways communication operates in the business. Discussion focused on the ideas of one-way communication and communication feedback.

(a) What is meant by communication feedback?

.....

.....

.....

..... [2]

(b) Identify **two** business situations in which one-way communication would be suitable.

Situation 1:.....

.....

Situation 2:.....

.....[2]

(c) Identify and explain **two** ways in which information technology has affected how a business communicates with its stakeholders.

Way 1:.....

Explanation:.....

.....

.....

Way 2:.....

Explanation:.....

.....

..... [4]

For Examiner's Use

(d) ATC employs 10 000 staff throughout the world. Identify and explain **three** benefits that ATC might gain from delegating decision-making to its staff around the world.

Benefit 1:.....

Explanation:.....

.....

.....

Benefit 2:.....

Explanation:.....

.....

.....

Benefit 3:.....

Explanation:.....

.....

.....[6]

(e) ATC has a policy of recruiting staff for the senior jobs from within the business. It is changing its policy so that external recruitment will be used to recruit senior staff in the future. Do you think that the change will benefit ATC? Justify your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

© UCLES 2010

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2010