UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

1296248288

BUSINESS STUDIES **7115/11**

Paper 1 **October/November 2011**

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.

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1 Carlos was made redundant from his job in a factory. He used his redundancy money and some of his savings to start a new business. He bought a boat to give trips to tourists on a river near his home. The boat cost him $150 000. Table 1 shows the revenue and cost estimates that Carlos made.

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Table 1

Revenue per boat trip	$80
Variable cost per boat trip	$30
Average number of boat trips per week	25
Weekly overhead costs [fixed costs]	$500

Carlos wanted his business to give him job security and to give a return on his investment of at least 20% each year. He estimates that annual profits will be $37 500.

(a) What is meant by 'made redundant'?

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..... [2]

(b) Identify **two** examples of overhead costs that Carlos might incur.

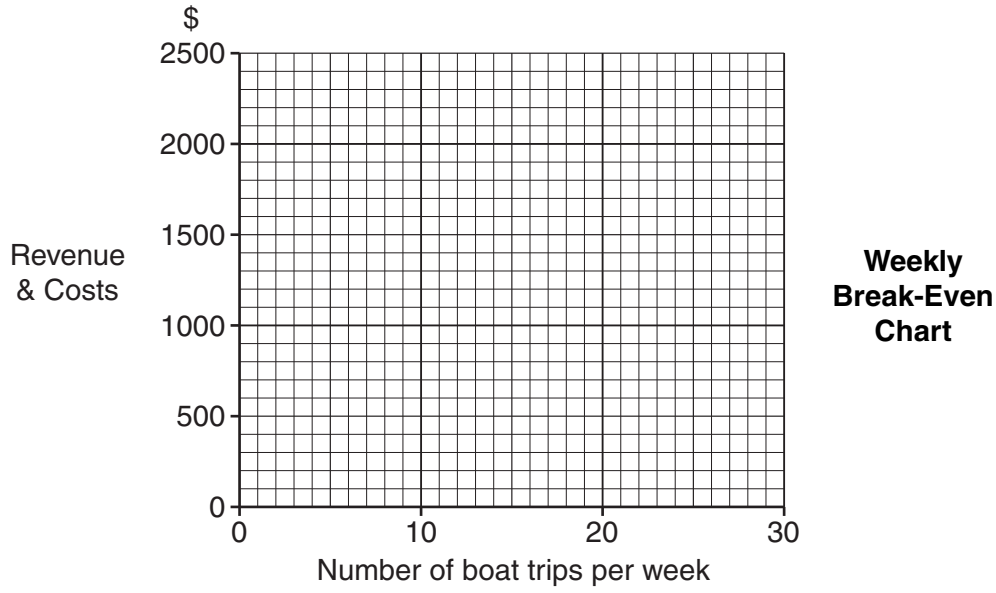
Example 1: .....

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Example 2: .....

..... [2]

(c) Using the information given in Table 1, draw a break-even chart for Carlos' business.



[4]

(d) Identify and explain **three** methods that Carlos could use to promote his new business.

For Examiner's Use

Method 1: .....

Explanation: .....

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Method 2: .....

Explanation: .....

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Method 3: .....

Explanation: .....

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..... [6]

(e) Carlos wanted his business to give him job security and a return on capital of at least 20%. Do you think that his business will help him achieve these objectives? Justify your answer.

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For Examiner's Use

2 Early Tots makes wooden toys for children. The business uses both primary and secondary market research data to decide what products to make. It has a wide range of toys but some of the products are nearing the end of their product life cycle. The managers are thinking about using extension strategies for these products.

(a) What is meant by the term 'secondary market research'?

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..... [2]

(b) What is meant by the term 'product life cycle'?

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..... [2]

(c) Identify and explain **two** methods that Early Tots could use to gather primary market research data.

Method 1: .....

Explanation: .....

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Method 2: .....

Explanation: .....

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..... [4]

(d) Identify and explain **three** extension strategies that Early Tots could use.

For Examiner's Use

Strategy 1: .....

Explanation: .....

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Strategy 2: .....

Explanation: .....

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Strategy 3: .....

Explanation: .....

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..... [6]

(e) Consider the advantages and disadvantages of **two** channels of distribution that Early Tots could use for a new range of wooden toys. Recommend which channel Early Tots should use. Justify your answer.

Channel 1: .....

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Channel 2: .....

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Recommendation: .....

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..... [6]

For Examiner's Use

3 Crompton Springs, a private limited company, bottles mineral water. The production method is automated but inefficient, because the machinery used was bought 20 years ago. The company uses unskilled and low paid workers to load and unload the production lines. The managers have decided to invest in new machinery.

(a) What is meant by 'production method is automated'?

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..... [2]

(b) Identify **two** features of a private limited company.

Feature 1: .....

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Feature 2: .....

..... [2]

(c) Identify and explain **two** possible reasons why workers at Crompton Springs are low paid.

Reason 1: .....

Explanation: .....

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Reason 2: .....

Explanation: .....

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..... [4]

(d) Identify and explain **three** problems that inefficiency can cause a business.

For Examiner's Use

Problem 1: .....

Explanation: .....

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Problem 2: .....

Explanation: .....

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Problem 3: .....

Explanation: .....

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..... [6]

(e) Do you think that the employees at Crompton Springs will be happy with the managers' decision to invest in new machinery? Justify your answer.

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For Examiner's Use

4 XYZ is a large retail business with over 50 shops. The business is going to open a new shop and wants to recruit a manager. A job description for the new position of shop manager has been produced. The directors are also looking at the methods they use to pay their employees.

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

Way 1: .....

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Way 2: .....

..... [2]

(b) Identify **two** suitable places to advertise the position of a new shop manager.

Place 1: .....

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Place 2: .....

..... [2]

(c) Identify and explain **two** advantages to XYZ of producing a job description for the position of shop manager.

Advantage 1: .....

Explanation: .....

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Advantage 2: .....

Explanation: .....

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..... [4]

(d) Identify and explain **three** different payment methods that XYZ could use to reward their employees.

For Examiner's Use

Method 1: .....

Explanation: .....

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Method 2: .....

Explanation: .....

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Method 3: .....

Explanation: .....

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..... [6]

(e) Do you think that the appointment of a suitable shop manager will mean that the new shop is certain to be successful? Justify your answer.

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For Examiner's Use

5 Country W has a mixed economy. The public sector has grown in recent years. The Government has also introduced many new laws regulating business behaviour and protecting employees and consumers.

(a) What is meant by the term 'mixed economy'?

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..... [2]

(b) Identify **two** objectives often set by businesses in the public sector.

Objective 1: .....

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Objective 2: .....

..... [2]

(c) Identify and explain **two** reasons why the size of the public sector might increase over time.

Reason 1: .....

Explanation: .....

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Reason 2: .....

Explanation: .....

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..... [4]

(d) Identify and explain **three** ways in which consumers might benefit from consumer protection laws.

For Examiner's Use

Way 1: .....

Explanation: .....

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Way 2: .....

Explanation: .....

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Way 3: .....

Explanation: .....

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(e) The management of many businesses in the private sector think that employment legislation is making them less competitive. Do you agree? Justify your answer.

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