UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

6292363814

BUSINESS STUDIES **7115/11**

Paper 1 **October/November 2012**

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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For Examiner's Use

1 Durban Dragons is a big football club. Recently fewer people have been watching its matches and ticket revenue is falling. Some people say that ticket prices for matches are too high and should be reduced. The club has high fixed costs and needs to improve its cash flow. The club directors have been trying to gain sponsorship and a number of businesses are very interested.

(a) What is meant by 'cash flow'?

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..... [2]

(b) Give **two** examples of fixed costs that a business like a football club would incur.

Example 1: .....

Example 2: ..... [2]

(c) Identify and explain **two** ways the cash flow of Durban Dragons could be improved.

Way 1: .....

.....

Explanation: .....

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Way 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** reasons why businesses might want to sponsor football clubs like Durban Dragons.

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Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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..... [6]

(e) Do you think if Durban Dragons reduce ticket prices for matches this will increase revenue? Justify your answer.

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For Examiner's Use

2 Gresham Textiles manufactures high quality clothing. Production is labour intensive. Managers are paid more than production line workers in the factory. The business is investing in automated machinery. The management also wants to introduce lean production methods.

(a) What is meant by 'labour intensive'?

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..... [2]

(b) Identify **two** suitable sources of finance that Gresham Textiles could use to finance the investment in automated machinery.

Source 1: .....

Source 2: ..... [2]

(c) Identify and explain **two** reasons why factory managers are paid more than production line workers at Gresham Textiles.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** ways lean production methods could reduce costs in the factory.

For Examiner's Use

Way 1: .....

Explanation: .....

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Way 2: .....

Explanation: .....

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(e) Do you think that a change to automated methods of production would benefit **customers** of Gresham Textiles? Justify your answer.

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3 Table 1 shows the Balance Sheet for company D at the end of 2010 and 2011.

For Examiner's Use

Table 1: Company D Balance Sheet [$m]

	2010		2011	
Fixed Assets		500		600
Current Assets	600		650	
Current Liabilities	450		550	
Net Assets		650		700
Long-term Liabilities	350		350	
Shareholders' Funds	300		350	
Capital Employed		650		700

The accounts also showed that the net profit of company D was $80m in 2010 and $120m in 2011.

(a) What is meant by 'capital employed'?

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..... [2]

(b) Calculate company D's current ratio in 2011.

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..... [2]

(c) The directors are planning further expansion of the company. Identify and explain **two** benefits to company D of raising finance by selling more shares.

Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

..... [4]

(d) Identify and explain a reason why the following stakeholders would be interested in using company D's accounts.

For Examiner's Use

Creditors' reason: .....

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Explanation: .....

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Employees' reason: .....

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Explanation: .....

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Shareholders' reason: .....

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Explanation: .....

..... [6]

(e) Do you think the performance of company D in 2011 has improved? Justify your conclusion using the data provided.

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For Examiner's Use

4 Jergen Cosmetics makes a range of beauty products for women in country A. 'We are a market orientated company' said Klaus, the Managing Director. 'One of our business objectives is to increase sales turnover. We have just set up our own website and increased our marketing budget. Our country's economic growth is forecast to be 4% next year and this will guarantee our company's profitability.'

(a) What is meant by 'market orientated company'?

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..... [2]

(b) What is meant by 'Managing Director'?

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(c) Identify and explain **two** benefits to Jergen Cosmetics of setting business objectives.

Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

..... [4]

(d) Identify and explain **two** benefits to Jergen Cosmetics of having its own website.

For Examiner's Use

Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

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(e) Do you think that economic growth in country A will lead to increased profitability for Jergen Cosmetics? Justify your answer.

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For Examiner's Use

5 Greenfield manufactures furniture. The company imports wood and other raw materials from several countries. Marcos is the Managing Director of Greenfield. Marcos said that his company was affected by import quotas and changes in exchange rates. He said: 'Greenfield has to buy its raw materials from other countries as there are no timber (wood) resources in our own country.'

(a) What is meant by 'import quota'?

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..... [2]

(b) Identify **two** ways that Greenfield's business might harm the environment.

Way 1: .....

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Way 2: .....

..... [2]

(c) Identify and explain **two** ways in which changes in exchange rates could cause problems for Greenfield.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

..... [4]

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(d) The Government in Greenfield's country is introducing consumer protection laws. Identify and explain **three** ways in which Greenfield's business could be affected by these new laws.

For Examiner's Use

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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Way 3: .....

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Explanation: .....

..... [6]

(e) Greenfield's management is thinking of expanding the business by taking over another furniture manufacturer. Do you think this is a good idea for Greenfield? Justify your answer.

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