UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

6808730011

BUSINESS STUDIES **7115/12**

Paper 1 **October/November 2013**

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 question 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.

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

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1 Protec makes components for use in computers. The company is located in country Y where workers' wages are high. Table 1 gives data about Protec.

For Examiner's Use

Table 1

Number of employees	Average weekly wage $	Total output per week [units]
400	500	2400

(a) Calculate average labour productivity for Protec.

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..... [2]

(b) Identify **two** reasons why labour productivity is important for Protec.

Reason 1: .....

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Reason 2: .....

..... [2]

(c) Identify and explain **two** ways Protec could increase the productivity in its factory.

Way 1: .....

.....

Explanation: .....

.....

Way 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **three** reasons why wages are higher in some countries than others.

For Examiner's Use

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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Reason 3: .....

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Explanation: .....

..... [6]

(e) The management of Protec is thinking of relocating the factory to a country where wages are lower. Do you think that Protec would benefit from such a move? Justify your answer.

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For Examiner's Use

2 Party Pops is a business that sells products such as cakes and balloons for childrens' birthday parties. The Marketing Director thinks that the demand for the company's products is price elastic. Party Pops advertises on television. The products are sold through the company's own retail shops. However, the Marketing Director is thinking of changing this to selling only on the Internet.

(a) Identify **two** aims of advertising.

Aim 1: .....

.....

Aim 2: .....

..... [2]

(b) Identify **two** methods of pricing that Party Pops could use.

Method 1: .....

Method 2: ..... [2]

(c) Identify and explain **two** reasons why the demand for the company's products is likely to be price elastic.

Reason 1: .....

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Explanation: .....

.....

Reason 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** methods of promotion (other than advertising) that Party Pops could use to increase sales.

For Examiner's Use

Method 1: .....

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Explanation: .....

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Method 2: .....

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Explanation: .....

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..... [6]

(e) Do you think Party Pops should stop selling through shops and sell only on the Internet? Justify your answer.

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..... [6]

3 Harry owns a pizza restaurant in a large city. Table 2 gives financial data for the business in 2012.

For Examiner's Use

Table 2

Selling price per pizza	$8
Variable costs per pizza	$5
Weekly fixed costs	$2700
Weekly sales	1500 pizzas

(a) What is meant by 'variable costs'?

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..... [2]

(b) Identify **two** examples of fixed costs for Harry's business.

Example 1: .....

Example 2: ..... [2]

(c) Calculate how much profit Harry's business makes in one week.

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..... [4]

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(d) Harry pays his workers piece rates. Identify and explain **one** advantage and **one** disadvantage to Harry of using this method of payment.

For Examiner's Use

Advantage: .....

.....

Explanation: .....

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Disadvantage: .....

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Explanation: .....

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..... [6]

(e) Harry is planning to reduce the price of his pizzas to $7 in order to increase sales. Do you think that this change will benefit his business? Justify your answer.

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..... [6]

4 Country A has a mix of private sector and public sector enterprises. Figures 1–3 give some data about the two sectors.

For Examiner's Use

Fig. 1: Average hourly wage

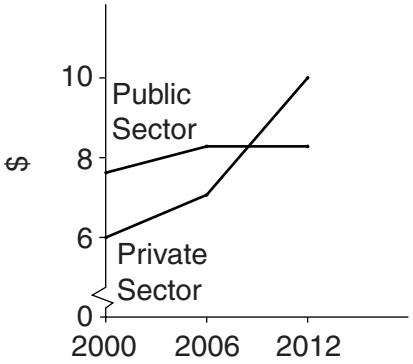


Fig. 2: Average hours worked per week

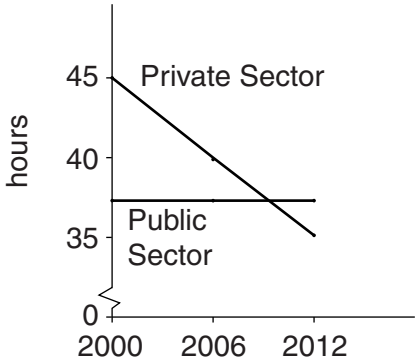
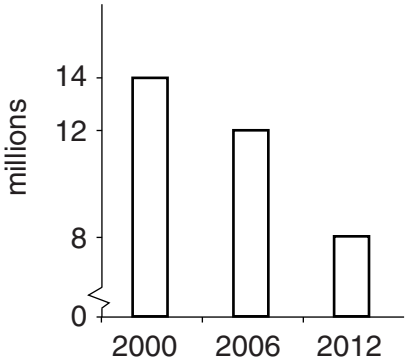


Fig. 3: Number of employees in public sector



(a) Identify **two** examples of public sector enterprises.

Example 1: .....

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Example 2: .....

..... [2]

(b) Identify **two** aims that public sector enterprises often have.

Aim 1: .....

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Aim 2: .....

..... [2]

(c) Identify and explain **two** reasons why profits are important to private sector businesses.

Reason 1: .....

.....

Explanation: .....

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Reason 2: .....

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Explanation: .....

..... [4]

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(d) Consider **each** of the Figures 1–3. Identify and explain **three** changes that are shown by the data in Figures 1–3.

For Examiner's Use

Change in Figure 1: .....

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Explanation: .....

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Change in Figure 2: .....

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Explanation: .....

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Change in Figure 3: .....

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Explanation: .....

..... [6]

(e) Do you think that a large decrease in the number of employees in the public sector in country A will benefit all workers? Justify your answer.

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..... [6]

For Examiner's Use

5 K & P is a large group of shops selling televisions. The directors of K & P use an autocratic management style. Spans of control are narrow and communication is only one-way. Many workers leave K & P each year and this is a problem for the business. The motivation of the workforce is low as workers feel they are unimportant.

(a) What is meant by 'autocratic management style'?

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..... [2]

(b) What is meant by 'span of control'?

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..... [2]

(c) Identify and explain **two** disadvantages of one-way communication for K & P's management team.

Disadvantage 1: .....

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Explanation: .....

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Disadvantage 2: .....

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Explanation: .....

..... [4]

(d) Identify and explain **three** methods that K & P could use to improve worker motivation.

For Examiner's Use

Method 1: .....

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Explanation: .....

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Method 2: .....

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Explanation: .....

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Method 3: .....

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Explanation: .....

..... [6]

(e) Should K & P try to reduce the number of workers leaving each year? Justify your answer.

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