Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME	
CENTRE NUMBER	
CANDIDATE NUMBER	

0847345345

BUSINESS STUDIES **7115/11**

Paper 1 **October/November 2014**

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, 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.

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

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CAMBRIDGE
International Examinations

[Turn over

1 Lu is a sole trader. He manages a bakery shop making and selling bread and cakes. He employs 4 workers all of whom are paid on time rate. Lu wants to expand the business by buying a new shop and using it as a café (restaurant). He also wants to make a wider range of cakes, such as wedding and birthday cakes, for which he thinks there is a demand. At present the business sells all of the bread and cakes it makes.

(a) What is meant by a 'sole trader'?

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.....[2]

(b) Identify **two** methods Lu could use for paying employees (other than time rate).

Method 1: .....

Method 2: .....[2]

(c) Identify and explain **two** suitable sources of finance Lu could use to buy a new shop.

Source 1: .....

Explanation: .....

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Source 2: .....

Explanation: .....

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.....[4]

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(d) Identify and explain **two** methods of promotion that Lu could use for the new range of cakes.

Method 1: .....

Explanation: .....

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Method 2: .....

Explanation: .....

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(e) Do you think that Lu's business will be more profitable if he expands it by opening a café in a new shop? Justify your answer.

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2 Rakesh manages a car repair business in country Y. He buys cars that are damaged or have parts missing. Rakesh adds value by repairing these cars until they look like new ones. He employs 5 workers to do the repairs. The business holds a large stock of car parts and Rakesh always pays cash for these. However Rakesh's sales are usually on credit.

Table 1: Some information for a typical trading week

Cars bought by Rakesh	6
Average cost of each car	$2000
Average cost of parts used per car	$500
Weekly wages per employee	$1000
Weekly fixed costs	$4000
Average price per car sold	$5000
Number of cars sold	6

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

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(b) What is meant by 'Rakesh adds value'?

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(c) Calculate the weekly net profit of the business.

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(d) Identify and explain **two** reasons why the weekly net profit may not be the same as the weekly net cash flow for Rakesh's business.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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(e) Country Y's economy is in a recession. Do you think that this will make Rakesh's business less successful? Justify your answer.

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3 Natural Care is a company that makes soap. The business always acts in an ethical way. It follows fair trade principles by paying fair prices to its suppliers. It uses a cost plus pricing method when selling its products. Table 2 gives data about the company's sales of soap and its share of the national market for soap.

Table 2

Year	Natural Care sales ($m)	Market share of Natural Care (%)
2012	40	10
2014	44	7

The Marketing Director of Natural Care wants to introduce a new competitive pricing strategy to help regain market share. She also wants the Board of Directors to think about changing its ethical policy.

(a) Calculate the **total** market sales of soap in 2012.

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.....[2]

(b) Identify **two** possible reasons why Natural Care's market share fell in 2014.

Reason 1: .....

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Reason 2: .....

.....[2]

(c) Identify and explain **two** advantages to Natural Care of acting in an ethical way by paying fair prices to its suppliers.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **two** ways in which Natural Care might be affected by changing to a competitive pricing strategy.

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 that customers of products such as soap always benefit from an increase in competition? Justify your answer.

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4 Genel manufactures clothes. The company uses an autocratic style of management. It employs a large number of workers and pays low wages. Many employees leave the company each year but they are easily replaced. Working conditions in the factories are poor. Health and safety is ignored and long hours are worked. Employee motivation is low and employee productivity is falling.

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

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(b) Identify **two** possible reasons why Genel ignores health and safety in its factory.

Reason 1: .....

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Reason 2: .....

.....[2]

(c) Identify and explain **two** ways in which Genel would benefit from a more motivated workforce.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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(d) Identify and explain **two** ways that Genel could use to improve employee productivity in its factories.

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 Governments should introduce laws to protect employees' interests in businesses such as Genel? Justify your answer.

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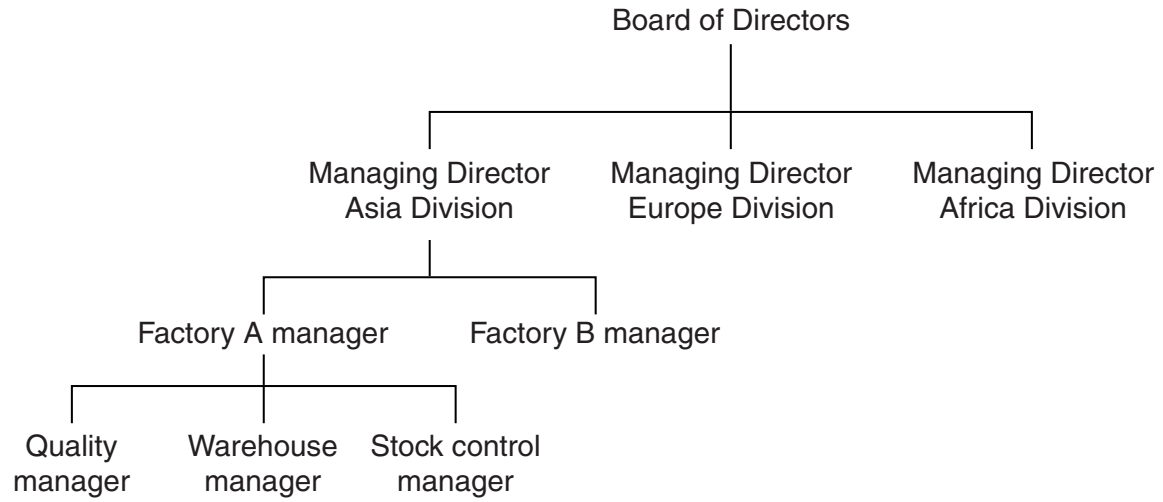
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5 Zalpha is a multinational company. It manufactures agricultural machinery and employs a large number of people. Figure 1 shows a simplified organisation chart for the business. The business decision making is centralised and some employees complain of poor communications within the company.

Figure 1



(a) What is meant by a 'multinational company'?

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(b) Using only the information in Figure 1:

(i) Identify the span of control of the Managing Director of the Asia division.

.....[1]

(ii) How many levels are there in the chain of command?

.....[1]

(c) Identify and explain **two** possible reasons why Zalpha has poor internal communications.

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** advantages to Zalpha of using centralised decision making.

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 that multinational companies such as Zalpha benefit the countries in which they operate? Justify your answer.

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