Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME	
CENTRE NUMBER	
CANDIDATE NUMBER	

5919526769

BUSINESS STUDIES **7115/12**

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 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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CAMBRIDGE
International Examinations

[Turn over

1 Abdula manages a business partnership that makes sports clothing. The business is working at full capacity. It employs 12 people who are paid on a piece rate basis. The partners have an objective to increase profits by 10% each year for the next 5 years. They are thinking about a joint venture with another manufacturer of sports clothing as one way of achieving this objective.

(a) What is meant by a 'business partnership'?

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.....[2]

(b) Identify **two** ways of paying workers that the partnership could use (other than by piece rates).

Way 1: .....

Way 2: .....[2]

(c) Identify and explain **two** advantages to this business of setting objectives.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **two** advantages to the partnership of a joint venture with another manufacturer of sports clothing.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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(e) Explain **two** ways (apart from a joint venture) that the partnership could use to achieve its objective of a 10% annual increase in its profit over the next 5 years. Recommend which way is most likely to be successful. Justify your answer.

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2 Sarah is the owner of a small business making children's toys. She sells her toys to retailers on 3 months' credit. She receives 1 month's credit from her suppliers. Her cash flow forecast for the start of 2015 is given below.

Table 1 ($000)

	January	February	March
Cash inflow	15	20	19
Cash outflows:			
Purchases of stock	12	10	14
Wages	X	7	6
Other payments	4	4	4
Total cash outflows	22	Y	24
Net cash flow	(7)	(1)	(5)
Opening balance	10	3	2
Closing balance	3	2	(3)

Note: numbers in brackets are negative.

(a) Calculate the following:

Wages in January (X): .....

.....

Total cash outflows in February (Y): .....

.....[2]

(b) Identify **two** examples of Sarah's 'other payments'.

Example 1: .....

Example 2: .....[2]

(c) Identify and explain **two** reasons why the business has a negative closing balance in March.

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 Sarah's business of producing a cash flow forecast.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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(e) Sarah's accountant told her that a positive cash flow is more important to the business than profits. Do you agree? Justify your answer.

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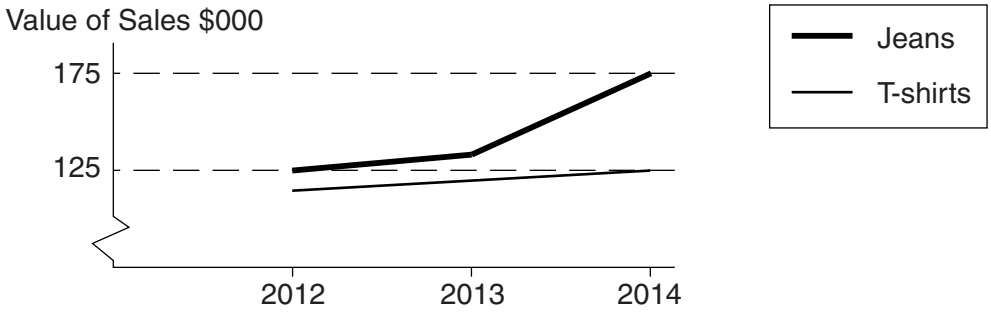
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3 Rhiannon Enterprises manufactures ladies clothes. Its best selling products are fashion jeans and T-shirts. Figure 1 shows sales data for these products. In 2014 the value of the sales of these 2 main products was 50% of the total sales of the business. The market for ladies' clothes is very competitive. In 2013 the business reduced the price of its jeans by 25%. It is now trying to find low cost suppliers of cloth to increase its profit margins. Sales of some other products have been falling despite Rhiannon Enterprises increasing advertising spending on them.

Figure 1



(a) What is meant by a market being 'very competitive'?

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.....[2]

(b) Calculate the total value of sales of Rhiannon Enterprises in 2014.

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.....[2]

(c) Identify and explain **two** possible reasons why Rhiannon's sales of some other products fell despite an increase in advertising.

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** factors that the business should consider before deciding on a new supplier of cloth.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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(e) Do you think Rhiannon Enterprises should reduce the prices of all its products in 2015? Justify your answer.

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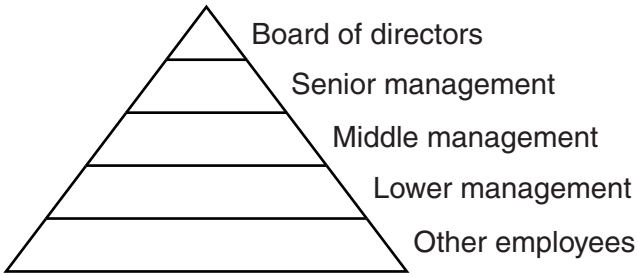
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4 Grenada makes meat products such as pies, burgers and ready-made meals. It employs 10 000 workers. It operates in many countries, each with different laws and traditions. Its organisation structure is tall and hierarchical. Spans of control are narrow and there is little delegation. Some middle managers complain that they are not allowed to make important decisions. The directors want to improve communication with employees.

Figure 2: Organisational structure of Grenada



(a) Identify **two** features of a 'tall and hierarchical' organisation structure.

Feature 1: .....

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Feature 2: .....

.....[2]

(b) Use Figure 2 to explain what is meant by 'chain of command'.

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(c) Identify and explain **two** appropriate ways that the directors of Grenada can use to communicate with employees.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **two** disadvantages to Grenada of operating in a number of different countries.

Disadvantage 1: .....

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Explanation: .....

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Disadvantage 2: .....

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Explanation: .....

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(e) Do you think that Grenada would benefit from greater delegation in its decision making? Justify your answer.

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5 Ali has just been appointed as Managing Director of Anypart, a large manufacturing business. He told Anypart's Board of Directors: 'Behaving ethically will always lead to lower profits. I want our employees to work longer hours, have fewer holidays and become more productive. This will reduce costs of each unit of output and will benefit all our stakeholders'. Not all of the directors agreed with him.

(a) What is meant by a 'Board of Directors'?

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.....[2]

(b) Identify **two** of Anypart's stakeholder groups (other than employees).

Stakeholder group 1: .....

Stakeholder group 2: .....[2]

(c) Identify and explain **two** benefits to Anypart of reducing costs of each unit of output.

Benefit 1: .....

.....

Explanation: .....

.....

Benefit 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **two** possible ways of improving productivity in Anypart's business.

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 'behaving ethically will always lead to lower profits'? Justify your answer.

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